Routledge Handbook of Political Corruption

Edited by Paul M. Heywood

ROUTLEDGE HANDBOOK OF POLITICAL CORRUPTION

Since the early 1990s, a series of major scandals in both the financial and most especially the political world has resulted in close attention being paid to the issue of corruption and its links to political legitimacy and stability. Indeed, in many countries – in both the developed as well as the developing world – corruption seems to have become almost an obsession. Concern about corruption has become a powerful policy narrative: the explanation of last resort for a whole range of failures and disappointments in the fields of politics, economics and culture. In the more established democracies, worries about corruption have become enmeshed in a wider debate about trust in the political class. Corruption remains as widespread today, possibly even more so, as it was when concerted international attention started being devoted to the issue following the end of the Cold War.

This Handbook provides a showcase of the most innovative and exciting research being conducted in Europe and North America in the field of political corruption, as well as providing a new point of reference for all who are interested in the topic. The Handbook is structured around four core themes in the study of corruption in the contemporary world: understanding and defining the nature of corruption; identifying its causes; measuring its extent; and analysing its consequences. Each of these themes is addressed from various perspectives in the first four sections of the Handbook, whilst the fifth section explores new directions that are emerging in corruption research. The contributors are experts in their field, working across a range of different social-science perspectives.

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ACKNOWLEDGEMENTS

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INTRODUCTION

Scale and focus in the study of corruption

Paul M. Heywood

Corruption is one of the most high-profile issues in the contemporary world. According to the 2011 'World Speaks' surveys, conducted by GlobeScan for the BBC World Service, corruption was the world's most talked-about problem, ahead of extreme poverty, unemployment, the cost of living and crime, violence and security. In low GDP countries, the focus on corruption was even higher, a finding reinforced in a December 2013 statement by World Bank Group President, Jim Yong Kim, that 'in the developing world, corruption is public enemy number one'. Understandably, then, the issue of corruption has been attracting significantly increased attention from politicians and policy-makers, international agencies, political activists and, not least, academics. This recent surge in interest dates back to the early 1990s, prompted in part by the end of the Cold War, but more especially by a growing realisation that corruption carries very significant costs. Indeed, according to some estimates, corruption costs 5 per cent of global GDP (US$2.6 trillion), with some US$1 trillion paid in bribes each year (CleanGovBiz 2014). It is hardly surprising that ever more has been published on corruption: Figure 0.1 overleaf charts the rise in the number of articles published each year between 1990 and 2010 on the topic of corruption, a cumulative total of more than 6,000.

Yet, despite the attention that has been paid to the topic over the past twenty-five years, there remains a striking lack of scholarly agreement over even the most basic questions about corruption. Amongst the core issues that continue to generate dispute are the very definition of 'corruption' as a concept, the causes that give rise to it, how we should go about measuring its extent and location, its impact and how best to combat it. About the only thing over which there is consensus amongst scholars is that corruption is a bad thing that causes major harm to individuals and societies and that it needs to be reduced. The chapters in this volume address each of these core issues in turn: Part I focuses on what we understand by the very term; Part II looks at what causes corruption; Part III addresses questions of measurement; Part IV looks at the impact of corruption and anti-corruption initiatives. Finally, Part V offers reflections on developing directions in corruption research. Taken together, the chapters in this volume offer a comprehensive overview of 'state of the art' debates in corruption studies.

One somewhat depressing potential conclusion from the sustained focus on corruption since the early 1990s is that the resultant anti-corruption efforts represent a major policy failure (Heeks and Mathisen 2012; Persson et al. 2010): in spite of a raft of anti-corruption initiatives and legislation at both national and international level over the past fifteen years
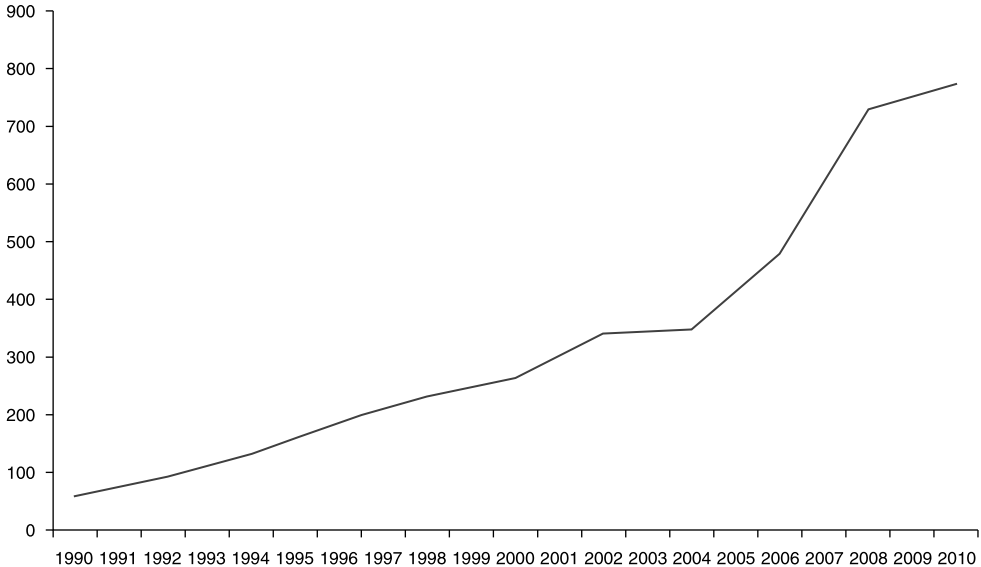
Figure 0.1 Number of articles on 'corruption' published between 1990 and 2010.
Source: ISI Web of Knowledge.

– including the United Nations Convention Against Corruption, international and regional anti-bribery conventions, conferences, agreements, a burgeoning anti-corruption industry providing extensive technical assistance and even an International Anti-Corruption Day – there is little sign that the scale of the problem is diminishing. In fact, what we may be witnessing is changes to the locus and modalities of corruption as the emergence of the post-modern state (Cooper 2004) following the collapse of communism opens up new opportunity structures for various forms of malfeasance.

It is noteworthy that, despite the sustained focus on corruption over the past two and a half decades, much academic and policy work in the field is characterised by two conundrums. The first relates to the fact that most analyses of corruption, whether academic in focus or more policy-oriented, take nation-states as their principal unit of assessment. This is especially true of those studies that seek either to measure levels of corruption or to identify the causal mechanisms that give rise to corruption. In practice, however, actual instances of corruption take place in concrete settings and specific places that do not easily map onto the nation-state: either because there may be significant variance at local level when dealing with particular sectorial types of corruption, or because of corruption that involves trans-national or cross-border networks. The second conundrum relates to the fact that political corruption is still predominantly seen as a public-sector issue. In practice, however, the changing nature of governance in the postmodern state (particularly around downsizing, sectorisation, contracting out, etc.) means that much public-service delivery is now performed in or by the private sector. Those very developments have contributed to a blurring of the public–private distinction that generates new risks for corruption. In recent years, many of the most striking corruption scandals have precisely involved the interaction between public and private sector. An overemphasis upon the public sector thus risks missing many actual instances of corruption.

Empirically, these two conundrums generate practical difficulties in that they lead to accounts and measures abstracted from the reality of corruption. A failure to address

corruption as it occurs reduces the power of our analyses and also limits our conceptual understanding of corruption. This introduction explores these issues in some more detail and argues that future research needs to pay greater attention to identifying the most appropriate unit of analysis if we are to gain an effective understanding of how corruption works in practice and therefore how it can best be combated. Without such a recalibration, studies will remain focused at an inappropriate level, leading to continued inadequacies in our conceptual and empirical understanding of corruption.

The problem of scale and focus: a tale of two hypothetical countries

In order to see how the scale and focus of our understanding of corruption really matter and why country-level evaluations of corruption are inadequate in many circumstances, consider the following: suppose there are two countries, Country A and Country B. Both have a population of roughly 5 million people; both have roughly the same level of development; both have very similar tax systems with the same rate of personal taxation; and both have roughly the same GDP. In Country A, petty corruption is rampant, instances of low-level bribery occur on a wide scale, and every person expects that they will be called upon to pay roughly one significant bribe a year. Because this corruption is so widespread, the procedure for paying bribes is effectively institutionalised. This institutionalisation of corruption in turn means that the corrupt payments requested are in line with individuals' income and people are not asked to pay crippling amounts. Such corruption amounts to a corrupt 'income tax' of approximately 2 per cent of citizens' income, in addition to the other formal taxes they must pay. In Country B, petty corruption is almost unheard of. No citizen is ever asked to pay a bribe in his or her day-to-day life. Public officials generally act in line with the highest standards of probity. However, a senior government minister has corruptly organised for the Defence Department to source military equipment exclusively from a company that she owns through a third party. The cost to Country B of this military hardware is approximately 50 per cent higher, for identical goods, than could be obtained on the open market. In order for Country B to meet these costs, income tax must be increased by 5 per cent in perpetuity.

Which country is more corrupt? Why? Which country ought to have a better score on a corruption measure? Reaching agreement about which of these two cases is more corrupt would almost certainly be impossible. And the reason we have such difficulty in reaching agreement is that the question itself does not really make sense. Yet much of our contemporary understanding of corruption, both in academe and amongst practitioners, seemingly reflects a view that not only does this kind of question make sense but also that it can be answered in a meaningful manner. Such reasoning can be seen in the familiar approach of (implicitly) seeing corruption as 'one thing', an indivisible property of political systems that can be summarised through a single number or score, applicable to the whole of a territory. However, once the problem is broken down into a discussion of distinct units of analysis, it becomes far easier to provide coherent answers. Which country has the more corrupt front-line public services? Country A. Which country has the more corrupt government? Country B.

If we are able to provide a meaningful answer to our hypothetical question about Country A and Country B only by reference to distinct units of analysis, why would we find it any easier to deal with real countries, with immense variation on thousands of factors simultaneously? If we are unable to assess whether Country A or Country B is the more corrupt, how can we sensibly conclude, for instance, whether France is more corrupt than the UK, whether the USA is more corrupt than Chile, or whether Egypt is more corrupt than New Zealand?

The answers to puzzles about which of a pair of countries is more corrupt is certainly more difficult than any single indicator measures of corruption would lead us to believe.

Complicating the matter further is the fact that corruption is not bounded simply by the distinct institutions that exist within any nation-state (the civil service, the government, the health service and so forth). Indeed, even within a single analytical component (say, local government), corruption can vary greatly according to geographic location. Thus, it may be the case that local government in a given region of a country is significantly corrupt, whilst the same does not hold in other regions (an obvious European example is Italy, which in general is seen as having far lower levels of corruption in the north than the south [see Golden and Picci 2005: 47]). Alongside these sub-national variations, there is also a supra-national dimension to consider. Corrupt networks need not respect national borders, and, indeed, there is strong evidence that they do not (Becker et al. 2009). Given such variations in the location and scope of corruption, focusing on nation-states – and expecting to identify the causes and consequences of 'corruption' as a singular concept also at nation-state level – is not practical.

However, refining our understanding of corruption to allow consideration of sub-national and supra-national variation, as well as the particular actors in question, is still insufficient. A further problem, endemic within corruption research, is the near-exclusive focus upon the public sector. In part, this reflects the definitional propensity to see corruption as involving holders of public office. However, not only has there been an increasing blurring of the boundaries between public and private sectors in terms of the provision of public services, but also the notion that a clear distinction exists between state (public) and non-state (private) interests is ever more difficult to sustain. The growth of multi-level governance and the emergence of key decision-making points at various diffuse (and sometimes competing) levels have made it more difficult to identify and manage policy chains that often cut across national boundaries and have led to greater institutional interdependence (Hooghe and Marks 2001; Heywood 2002: 151). Moreover, a reshaping of decision-making networks has seen institutions such as central banks, the mass media, major corporations and the judiciary all play an increasingly prominent political role, often in competition with more traditional public actors. The subsequent blurring of traditional public–private distinctions has been further compounded by a continued Balkanisation of state apparatuses as new public manage-ment (NPM) reforms, and the 'unbundling' of corporate functions (Bieling and Deckwirth 2008), promoting the separation of policy decisions from policy delivery (Heywood and Wright 1997: 91).

Indeed, NPM reforms have created new opportunities for conflicts of interest in which public servants may receive, for example, deferred advantages in the form of post-public employment, when former public employees move into the private sector. Such movement of employees between the public and private sectors has generated growing concerns in many jurisdictions about the use of privileged information in the private sector to the benefit of some companies at the expense of their competitors – notably in regard to public contract tendering and privatisation processes. The net result of these developments has been not just a growing privatisation of the state, or at least of key elements of its public-sector administra-tion, but also the rise of so-called 'business politicians', a new breed of political entrepreneur who 'combines mediation in (licit or illicit) business transactions, first-hand participation in economic activity, and political mediation in the traditional sense' (della Porta and Vannucci 1997: 75). In turn, political corruption is now as likely to take the form of conflicts of interest, abuse of office, lobbying by former public officials or inappropriate use of official information as it is to take more traditional forms such as bribery and embezzlement. Some have even

spoken of the emergence of a financial-political complex, characterised by banks and the finance industry being allowed by governments to operate with minimal regulation and virtually no risk of failure – in spite of their involvement in such scandals as irresponsible lending, rigging software to hide the channelling of drug money and terrorists' finance, and fixing Libor interest rates (Harding 2012).

The nation-state: a limited level of analysis?

Despite the fact that research on corruption tends to focus upon the national level as a unified block rather than investigating whether there are distinct sub-groupings of different sectors that each experience their own level and form of corruption, it is widely appreciated that corruption varies importantly by sector (see, for example, Transparency International 2011b: 5). Noting that different sectors within a state can exhibit different levels of corruption certainly undermines the basis for using a single indicator for all sectors and for the whole of a country. Of course, it is important not to take this objection too far – differences in corruption are usually quantitative rather than qualitative. The Global Integrity Report, for example, provides separate evaluations of civil society and media, elections, government accountability, administration, oversight and regulation, anti-corruption and the rule of law, and an 'overall score' for the country.[1] A spectral decomposition of the items was conducted, and the largest five Eigenvalues were: 4.816, 0.8125, 0.4993, 0.3733 and 0.2715. Both Kaiser's criterion (retain a number of dimensions equal to the number of Eigenvalues larger than one) and Cattell's 'scree test' (retain a number of dimensions equal to the Eigenvalue position before a substantial decline in magnitude of the Eigenvalues) very strongly point to a single dimension within the data. This means that the variables themselves have a single cause: the country in question's level of 'integrity', which is itself a single coherent (latent) variable. Yet, whilst such a variable is helpful for considering a country's propensity to corruption – and may even provide a useful measure of our general success with anti-corruption measures – it does not necessarily capture the experience of corruption on the ground. Indeed, the only requirement is that when one variable is 'higher', other variables are also 'higher', in proportion to their relative connection to the latent variable. The variables need not themselves be 'close' in terms of the number of instances of corruption. Within the Global Integrity data, 'Anti-corruption and Rule of Law' has a mean of 73 on a 100-point scale, whilst 'Government Accountability' has a mean of only 58.

Importantly, this suggests the need to focus more closely upon distinctions between different sectors and also indicates that, rather than a qualitative shift in anti-corruption strategies, what may be needed is to target them more specifically. Unfortunately, such targeting is almost impossible precisely because of the ubiquity of universal indicators, which result in measurements of corruption that fail to differentiate between type and region. Thus, the most widely cited measures of corruption, Transparency International's Corruption Perceptions Index (CPI) and the World Bank's Governance Indicators, assign a single score at the level of the nation-state (albeit a percentile ranking in the latter case rather than a specific number).

The study of political phenomena at the level of the nation-state is both intuitive and understandable, given its centrality as a core unit of analysis in most social sciences. Yet, even at higher levels of abstraction, notable differences exist within countries. Returning to the case of Italy, it has long been recognised that, as mentioned, there exists a clear 'north–south' divide in terms of the extent of corruption. However, even sub-dividing the country into two halves covers only a fraction of the variation within Italian regions. Golden and Picci

(2005) provide an analysis of 'missing' physical infrastructure in each region of Italy. In order to measure 'missing' infrastructure, they compare actual infrastructure with the total monetary investment in infrastructure in each region. Infrastructure is 'missing' to the extent that it should exist, given a specific outlay of capital, but in practice does not. Golden and Picci attribute this gap to corruption. Whilst the measure cannot specifically differentiate between corruption and inefficiency (Golden and Picci 2005: 41–2), this is only a bias in the measure to the extent that (1) any inefficiency is genuinely not related to corruption, and (2) some regions are significantly and systematically more efficient/inefficient than others, again for reasons entirely unrelated to corruption. Ultimately, as Golden and Picci note (2005: 42), such assumptions are plausible but cannot be proved. Notwithstanding, the measure is a useful quantification of an objective scale of corruption within different Italian regions. Under this measure, scores below 1 indicate the presence of 'lost' infrastructure, whilst scores above 1 indicate 'additional' infrastructure, given the monetary outlay. Thus in Umbria (index score: 1.78), there is 78 per cent more public infrastructure than there would have been had the government paid the (national) average rate (Golden and Picci 2005: 52–3). Similarly in Campania (index score: 0.36), there is 64 per cent less public infrastructure than would have been available, had the government been able to purchase the infrastructure at the national average rate (Golden and Picci 2005: 53).

Whilst it could be contended that Italy is the only country within which such distinctions occur, this does not seem plausible. Every country has regions with a (deserved or undeserved) reputation for significantly higher levels of corruption than average for their country. For example, local government in Doncaster in the UK during the 1990s gained a reputation for being one of the most corrupt local authorities in the country and was widely referred to as 'Donnygate' (see Batty and Hilton 2003), a claim which could not be plausible, even in theory, if corruption did not vary significantly by (sub-national) region. In fact, in very many countries, it is well recognised that particular pockets of corruption exist at local level, with particular municipalities seen as exhibiting a culture of corruption, even in the 'cleanest' countries such as Sweden (cf. Andersson 2002 on differences in corruption between Älvsborg and Skaraborg county councils). Whilst it certainly makes sense, and is undoubtedly accurate, to say that corruption is more of an issue in Italy than in Sweden (as reflected in CPI or WGI (World Governance Indicators) scores), that tells us little about the reality of corruption as it actually occurs in either country. Moreover it tells us nothing at all about variations in corruption (either of type or location) within either country.

If corruption cannot be captured in its complexity and variation by using state-level measures, neither does it operate wholly within national boundaries. Transparency International's CPI in fact provides a useful illustration of the implications of this. Whilst much of the world does poorly on the CPI, countries that do better are often geographically close to other countries that do well (see Figure 0.2). Generally speaking we can see pockets of (perceived) good corruption control – notably in Europe, North America and Australasia – and pockets of (perceived) very poor corruption control – notably in sub-Saharan Africa and central Asia.

Whilst geospatial dependence in the CPI can be 'observed' heuristically from simple visuals, the same dependence can also be shown quantitatively. Using data from the CPI (2000–5), Becker et al. (2009) show that perceived corruption in a state is reliably affected by perceived corruption within neighbouring states. The effect is relatively small (Becker et al. 2009: 305–6), yet it explains part of the perceived level of corruption within countries that is not accounted for by such standard explanatory factors as regime durability, percentage of Protestants, business freedom, natural resource dependency or GNP. Moreover, the analysis by Becker et al. almost certainly misses part of the effect and thus underestimates the impact
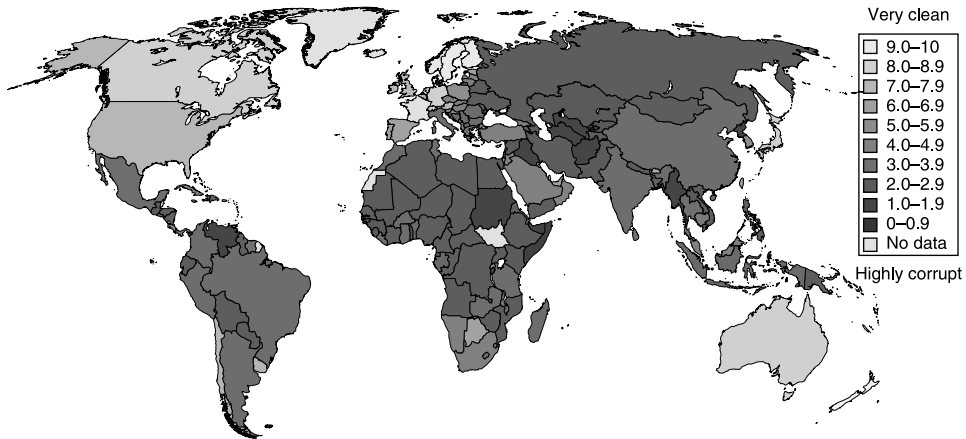
Figure 0.2 The extent of the world of 'corruption'.
Source: Transparency International 2012a.

of geographical location. As was shown for Italy, substantial geographic variation exists within countries. This variation is not 'random'; rather, those regions that are located next to the most corrupt regions tend themselves to be more corrupt. Therefore, an analysis that restricts its evaluations simply to corruption at the national level is likely to underplay the importance of geographic proximity effects.

The public sector: an overly restricted focus?

In a highly influential definition that has been very widely adopted, Transparency International describes corruption as the 'abuse of entrusted power for private gain' (2012b). Whilst this does not automatically entail an exclusive focus upon the public sector, as Transparency International itself acknowledges (2012b), in practice limited consideration has been given to the private sector in analyses of corruption. This is reflected in the fact that, despite various attempts to draw distinctions between different spheres of corruption (grand, petty, bureaucratic, financial and so forth), in practice the terms 'corruption' and 'political corruption' are often used almost interchangeably. Indeed, many definitions of corruption prior to the one popularised by Transparency International have explicitly incorporated the public sector, or public officials, as their focus. As noted above, however, it is becoming increasingly difficult to draw a clear distinction between the public and private sectors. Indeed, whilst it might be argued that 'corruption' wholly within the private sector could best be captured via conventional notions of crime or fraud, in practice many of the major corruption scandals of recent years have involved the interplay between governments and private-sector corporations, whether through public contract tendering, regulatory manipulation or even collusion. Obvious examples would include Enron, Siemens, BAE Systems, Halliburton and Samsung, whilst more recently the spotlight has moved to shortcomings in the corporate governance of banks involved in fixing interest rates and media companies involved in phone hacking. In all of these cases, there has been significant interplay between the public and private sectors, and they lend weight to the notion of undue corporate influence within the government–business nexus. Equally, as research by Transparency International has shown, companies are as likely to pay bribes to other companies as they are to public officials (2012c: 70).

Of particular importance is the growing trend towards 'contracting out' the delivery of public services to the private sector and also the increasing concern about the 'revolving door' between the public and private sectors, described recently as 'spinning out of control and [. . .] in urgent need of reform' (Krishnan 2012). In general, contracting out involves public services being run by private-sector companies and paid for by public money. In theory, such a system can (or even should) be more efficient than the same service being run exclusively through the public sector (Prager 1994: 176). Increasingly, whole services are contracted out to private parties, with the state acting only as a funder and (potentially) an auditor of service quality. This is a widely recognised core component of NPM reforms and has been a central part of the 'hollowing out of the state' thesis (see, for example, Rhodes 1994). Partly in response to the growing complexity of the policy challenges they face in a more interdependent and globalised world, governments have engaged in measures to reduce the scale of activities over which they have direct responsibility. Such measures have contributed to what has been described by some as a shift from 'government' to 'governance', whereby responsibility for policy implementation has been displaced from traditional line bureaucracies to more fragmented service providers. In turn, many states have seen a growth in third-sector agencies or specific bodies charged with particular policy areas, the creation of quasi-markets by splitting purchasers and providers, extensive privatisation and contracting out of public services.

Opportunities for corruption within such 'outsourced' agencies are (*mutatis mutandis*) the same as in the 'classic' tendering of public-works projects, which have historically been prone to corruption: costs can be artificially inflated, substandard equipment can be used, poor quality services can be delivered, and so forth. Unlike in more 'traditional' cases of corrupt overpayments for public infrastructure projects, the primary victim when corruption occurs in outsourced agencies is not the state (which only loses financially) but citizens, who are denied their rightful access to state services. This is particularly true in the health sector, which is especially vulnerable to abuse. As Savedoff and Hussmann (2006: 4) observe,

> First, the scope of corruption in the health sector may be wider than in other sectors because society frequently entrusts private actors in health with important public roles. When private pharmaceutical companies, hospitals or insurers act dishonestly to enrich themselves, they are not formally abusing 'public office for private gain'. Nevertheless, they are abusing the public's trust [. . .].
>
> Second, the health sector is an attractive target for corruption because so much public money is involved. The world spends more than US \$3.1 trillion on health services each year, most of it financed by governments.

For people who are dependent upon state provision for basic health services, the consequences of corruption can be extreme, as in the case of malaria deaths amongst children in rural Tanzania, where researchers found that 80 per cent of victims had been to modern health centres and should theoretically have been treated. That they had not been was attributed mainly to corrupt activity by those working in the health sector (World Bank, cited in Rothstein 2011: 59).

Another issue that blurs traditional state–non-state boundaries is the 'revolving door' problem, which relates to the easy movement of staff between public and private institutions (for a more in-depth discussion, see, for example, Meghani and Kuzma 2011). Such moves, of course, are not necessarily corrupt: there are many reasons why staff would move between sectors and movement of staff between public and private institutions can be beneficial for

both. Indeed, as Chandrashekhar Krishnan, the Executive Director of Transparency International UK, recently observed:

> I should hasten to add that TI UK is not against the revolving door. We do believe that both Government and business benefit from this interchange of skills and experience, and we would like to see that continue. However, the current system for regulating that process is broken and therefore it needs to be fixed.
>
> *(Public Administration Select Committee 2012)*

As Krishnan recognised, the revolving door does pose corruption challenges. Importantly, the problems are primarily private-sector-led.

The revolving door gives the opportunity for private-sector companies to gain members of staff with especially good contacts in the public sector, familiarity with specific agencies and, potentially, insight into the operations and future plans of specific departments within the public sector. Any company able to find out such information from a relevant government department would clearly be at a distinct advantage when it comes, for instance, to bidding for public contracts. Companies could know in advance the relative importance of bid criteria; they could gain advanced knowledge of, and thus more time to prepare for, upcoming privatisations or contracting out; they could learn the strategic objectives of departments and agencies and thus tailor their skills and expertise to such tasks before any official announcement and before their competition; and they could learn of changes to regulations before they occur, potentially providing a better opportunity to oppose future regulations. The potential for corruption is very significant.

Yet the revolving door also offers another opportunity: to engage in regulatory capture (Law and Long 2011). This can occur within the framework sketched above: public-sector regulators move to the private sector and allow a company an inappropriate level of influence over the regulatory environment (indeed, this is how the matter is conceptualised by Law and Long 2011). Yet the problems can go deeper. Public-sector workers may – and it is an empirical question as to whether they do – attempt to 'impress' potential private-sector workers by being favourable to particular industries, hoping to be 'rewarded' later on with a private-sector job. Moreover, and potentially most seriously, private-sector employees may actively move into the public sector with the hope of influencing the regulatory environment. Again, it is an empirical question as to whether this happens at present. More research on this issue is required, but it is worth noting that in written evidence to the UK's Public Administration Select Committee Report on Business Appointment Rules, the Campaign Against Arms Trade (CAAT) stated:

> Looking more specifically at your current Inquiry, CAAT has an interest in the business appointments rules [. . .] since many of former ministers and civil servants moving to the private sector are from the very departments concerned with the arms trade. Some of examples, from 2010 and 2011, of those moving into posts with the arms industry follow.
>
> • July 2011 – Air Marshal Peter Ruddock, formerly Director General of the MoD's [Ministry of Defence's] Saudi Armed Forces Project which exists to sell arms to Saudi Arabia, became Director of Business Development for Lockheed Martin UK (*Private Eye*, 5.8.11, and ACoBA [Advisory Committee on Business Appointments]);

- May 2011 – Geoff Hoon, formerly Defence Secretary, who awarded AgustaWestland a billion-pound order without competition, became Senior Vice-President of International Business of AgustaWestland (*Financial Times*, 16.5.11 and *Times*, 25.3.05);
- February 2011 – Sir Sherard Cowper-Coles, formerly UK Ambassador to Saudi Arabia, who pressured the Serious Fraud Office to drop its investigation into BAE–Saudi arms deals, became International Business Development Director of BAE Systems (*Guardian*, 18.2.11, and *Daily Telegraph*, 18.2.11, 14.3.11);
- January 2011 – Graham Wright, formerly of the Cabinet Office's Office of Cyber Security and Information Assurance, took 'key leadership roles in the UK' for Northrop Grumman (Northrop Grumman, 4.1.11);
- January 2011 – Air Chief Marshal Sir Glenn Torpy, formerly Chief of the Air Staff, became a Senior Adviser to BAE Systems (ACoBA);
- December 2010 – Baroness Taylor of Bolton, formerly Minister for Defence Equipment and Support, became a member of the advisory board of Thales Corporate Services (ACoBA);
- October 2010 – Air Marshal Iain McNicoll, formerly Deputy Commander-in Chief, became an Associate Partner of Defence Strategy and Solutions LLP (ACoBA);
- September 2010 – General Sir Richard Dannatt, formerly Chief of the General Staff, became a consultant to Control Risks Group (ACoBA).

(Public Administration Select Committee 2012)

As the CAAT further observed,

> The cumulative effect of the movement from the public sector to commercial bodies must inevitably reinforce the relationship between the two, giving commerce an influence over government which others with an interest in an issue cannot hope to emulate. For instance, those ministers, civil servants and military personnel moving from the MoD to military companies will certainly predispose decision-making, by way of their lobbying and contacts, towards solutions that involve spending on equipment, rather than on non-military alternatives.
>
> *(Public Administration Select Committee 2012)*

Unfortunately, research has suggested that strict regulation of the revolving door may have significant unintended consequences. The most serious of these problems is reducing the quality of senior public-sector staff, by dissuading otherwise competent people from entering the public sector (Law and Long 2011). Such findings suggest that regulatory strength is a trade-off; effectively, gaining integrity costs capacity. (This was also essentially the conclusion of Anechiarico and Jacobs 1996, concerning the regulation of corruption more widely.) Whilst this does suggest that there will in all likelihood be no easy solutions to the problems of the revolving door, the problematic nature of the solutions should be a call to action in itself.

Concluding observation

The arguments that have been developed in this introduction ought not to be surprising: they build upon what should, by now, be received wisdom if not statements of the blindingly

obvious. And yet much of the academic literature proceeds as if such arguments have never been made. A decade ago this would have been unfortunate; today it is harder to explain. It is an interesting question, sociologically, why such obvious deficiencies in analyses have been ignored. Part of the answer may lie in a natural desire to find answers to 'big' questions. How much corruption is there? Where does it occur? What causes it? How can it be combated? Such questions naturally lend themselves to broad scale answers, often pitched at the level of the nation-state. The publication of the Corruption Perceptions Index in turn provided a major stimulus to work in these areas, offering for the first time a data set that allowed for detailed statistical analysis of individual countries. Moreover, the CPI acted as a stimulus to a host of other attempts (often quite similar) to measure corruption. Despite a growing awareness of the shortcomings of such approaches, they have remained very highly influential. As observed by the United Nations Development Program (UNDP) in 2008:

> [M]any of these same academics are critical of the methodologies used to generate these indices. Nevertheless, for academic users and researchers, the global coverage of data seems to trump data quality. After all, it is much easier and quicker to run a regression analysis using someone else's data, compared to the hard work of generating one's own.
>
> *(UNDP 2008: 45)*

The criticism is as apt today as it was when first made. Yet anti-corruption agencies have also contributed to the problem, not least through their desire for 'actionable' conclusions. This has arguably militated against an emphasis on nuance in favour of solutions-oriented work, especially when what is at stake is securing funding from government and other sponsors. Nonetheless, our present understanding of corruption is limited by the data we have and the conceptual approaches we take. This introductory chapter does not presume to provide an answer to the two central conundrums identified at the outset. Instead, the observation here is that if there are substantial disparities in corruption at sub-national level, leading to 'clusters' of corruption, and that if these clusters do not respect national boundaries, then we need to reconceptualise how we think about corruption. The chapters in this volume offer some pointers as to how we can go about doing that.

Acknowledgements

Note

1   Data are taken from the Quality of Government Dataset, referring to the 2007 Report, and a description of each of the variables can be found in Teorell et al. 2011: 47–8. N=48.

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PART I

Understanding corruption

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1

THE DEFINITION OF POLITICAL CORRUPTION

Mark Philp

> To conclude. The Light of humane minds is Perspicuous Words, but by exact defin-itions first snuffed, and purged from ambiguity; Reason is the pace; Encrease of Science, the way; and the Benefit of man-kind, the end. And on the contrary, Metaphors, and senselesse and ambiguous words, are like ignes fatui (will-o'-the wisp); and reasoning upon them, is wandering amongst innumerable absurdities; and their end, contention, and sedition, or contempt.
>
> *(Hobbes 1991: 36)*

Hobbes's clarity is appealing, although he seems to demand a lot from the irremediably inexact social sciences. Nonetheless, the discipline of politics includes many who believe that something like a Hobbesian programme of definition 'first snuffed and purged from ambi-guity' followed by 'science' is possible. This is certainly the case for many who write on polit-ical corruption, and, while that strategy has some things in its favour, it also has pitfalls. The past thirty years of writing on political corruption and its definition provide eloquent testi-mony to both.

A definition can have two dimensions: it may articulate the meaning and use of a word, and it can provide a tool in the construction of an explanation. The linguistic and cultural turns in philosophy, history and anthropology have made many scholars more interested in the former, while the social sciences have focused more on the latter. Both programmes are defensible, but neither should be conducted in ignorance of the other, as Hobbes was aware.[1]

Understood as a tool, a definition aims to identify a set of criteria that serve as necessary and sufficient conditions in picking out a distinct phenomenon or class of phenomena. That phenomenon (or class), once distinguished, can be understood or explained by reference to sets of antecedents or causal conditions. If we conflate the definitions with the causal condi-tions we get tautologies. For example, we cannot explain the fact that increasing numbers of young men are failing to marry by saying that they are bachelors. Nor do we explain the fact that people are using their offices to generate income for themselves by saying that they are corrupt. That may be a redescription of the state of affairs, but it is not an explanation. Explanations are in something of a state of tension with definitions. Ideally, one's class of events (picked out by a definition) is a class that also has some explanatory unity, in the sense that members of the class are susceptible of the same causal explanations. Yet we do not want

to identify the class by the fact that the same explanation works, since we need to pick out the criteria that unite the class independently from the conditions that explain its occurrence.

Consider, for example, 'economic' definitions of corruption that use 'principal–agent theory', that is, economic theory that looks at ways of designing incentives to induce agents to act in ways that are optimal for those employing or directing them (their principals), when the agent's behaviour cannot be directly observed. On these accounts, corruption is defined 'in terms of the divergence between the principal's or the public's interest and those of the agent or civil servant: corruption occurs when an agent betrays the principal's interests in pursuit of her own' (Klitgaard 1988: 24). Here the definition – it is a case of corruption when the agent 'betrays' the principal in pursuit of her own interests – is quickly tied into an account in which the focus is on the conditions under which it is possible for the agent to pursue her own interests with impunity. Such conditions usually entail a monopoly of certain goods, discretion in their distribution and a lack of accountability. But these causal conditions risk being too closely linked to the definition, in virtue of the background assumptions about agent motivation. If we assume that people act self-interestedly and think of politics as a realm in which the interests of those holding public office are potentially divergent from the interests of the public at large, then we produce an explanation of corrupt behaviour by reference to the conditions under which self-interest can be pursued by public office holders with impunity. Probity in public office, then, is explained by the absence of monopoly and discretion and the existence of high levels of accountability – that is, we get probity when the principal–agent problem is diminished to zero, since behaviour is rendered observable. Moreover, the definition includes the term 'betrayal' but remains silent on the range of issues concerning what counts as a 'betrayal'. What counts as a betrayal must depend on the relative rights and responsibilities of principal and agent and must refer to norms concerning their respective roles and responsibilities. Corruption, then, is derogation from these norms, but it is not just any derogation. Incompetence is not the same as corruption. Nor are all derogations that involve the pursuit of self-interest corrupt, since some (such as treason on the one hand, or informal collective bargaining to raise wages on the other) should be distinguished from corruption. What should be clear is that the definition now seems less convincing, since a huge amount depends on the structure of norms and expectations that frame the agent's relationship to her principal, and frame the range of legitimate expectations the principal may have. These elements must inform our definition of corruption, making it, inevitably, a more complex, and more local, matter.

Definitions carve up the world of objects and events in ways that allow us to think more clearly and consistently about our world. But, in many areas of the social sciences, they are not picking out discrete natural objects, so much as types or ranges of behaviour. And, in defining behaviour as corrupt, we define it not solely in terms of an external description of bodily movements but as a motivated social action. That means that we are distinguishing types of agent motivation, and thus differences in the meaning associated with the act by the agent, and are acknowledging that the categories of meaning with which men and women engage are not solipsistic in character but are linked to the broader social world in which they participate.

Moreover, corruption is a term of appraisal: in calling something corrupt we attach negative connotations to it – or, at the very least, we report it in terms to which those involved would attach negative connotations. Because it is a widely used category of social meaning with powerful negative connotations, more specialised, technical and professional use of the term often clashes with the meanings which are ascribed to it by ordinary people, politicians and public servants, the media and commentators, each of whom may have

different concerns and different interests in identifying certain types of conduct as corrupt. And, lest we think that our scholarly position guarantees our objectivity, a vast quantity of the now voluminous literature on corruption is clearly and deeply marked by a set of Western assumptions about the need for free markets and liberal constitutional orders, coupled with a suspicion of political power and the state. Indeed, the thrust of most literature emanating from economics and drawing on rent-seeking and principal–agent models is close to suggesting that politics is inevitably a force for corruption.

This does not mean that we cannot reach any degree of objectivity in definition, although doing so is a lot more difficult than the literature generally assumes. The great majority of those writing about corruption deal with the definition of corruption rather dismissively, suggesting that, while there are issues about definition these tend to muddy the water to no real purpose, and they take this as sufficient warrant to adopt a one-line definition, usually following the model of bribery, which they then apply to the argument in hand – being helped along by metrics such as the Corruption Perception Index, which rely heavily on perceptions of bribery. Stipulating in this way rides roughshod over social meanings. But if we argue that corruption is an entirely local phenomenon, wholly defined by local norms, mores and cultural values, then we abandon the idea of family resemblances that would allow us to see it as an instance of a more general cross-cultural category. The definitional problem of political corruption then is bounded by the unappealing options of relativism (in which local definitions are treated as untranslatable to other contexts) or stipulation (in which we insist on a technical definition). With a strong behavioural turn in political science and its emphasis on quantitative analysis, it is not surprising that scholars tend to opt for the latter, or follow others who do so.

Certainly, acknowledging definitional complexities introduces problems in analysis and tends to render rather meaningless a number of pieces of work that treat the term as effortlessly capturing the same phenomenon across vastly differing cultures. But the fact that work must be done on a conceptual tool for it to work in different contexts should be accepted as part of the price for a political science that is sensitive to differences in social and cultural systems, meanings and values. Does this approach take us away from Hobbes's injunction? Not at all. Hobbes was a nominalist: what he sought to do was to put together a clearly defined lexicon that could render the political world coherent and orderly for people in virtue of it being itself orderly and coherent. If people understood terms in very different ways there could be no order. This meant that definitions had to mesh with people's more inchoate understandings, serving to systematise these into a coherent world view. That, for Hobbes, was a central objective of his science. In a similar spirit, this chapter explores the difficulties of definition in the field of political corruption and argues for a deeper conceptual understanding that identifies the place which the problem of political corruption occupies within Western political thinking. With Hobbes, it argues that getting the terminology right is also a way of both understanding and ordering the political world.

The particularities of political corruption

Corruption in the West has a very particular history, tied to a conception of the decay and decomposition of a thing. As the *OED* defines it, it is 'The destruction or spoiling of anything, esp. by disintegration or by decomposition with its attendant unwholesomeness; and loathsomeness; putrefaction.' Or, in a more general sense, the 'Destruction, dissolution of the constitution which makes a thing what it is.'

In this chapter, I am concerned more generally with political corruption, that is, with the decay or destruction of the political (although the term may also be applied elsewhere – as in economic corruption). This Western understanding of political corruption, then, presupposes an understanding of the character of politics and the political order, which is why it is not surprising that the most extensive analysis of political corruption is given in classical and republican texts in which there is a sense of the unity and cohesiveness of the political order being harmed or destroyed by malign influences. That sense of a political order as involving a shared political culture, with public offices being directed to securing the public interest or the public good, plays a major part in ancient Greek and Roman thinking and goes on to be profoundly influential on Machiavelli's republicanism and on the languages of political theory in early modern Europe that J. G. A. Pocock and others have traced through Britain and America.[2]

We inherit from this tradition a sense that politics can work: that is, that there can be ways of resolving differences that do not involve simply the domination of one group by another or the design of institutions and rules to facilitate that domination. The Western conception of political corruption, in so far as it is an intelligible and coherent one, derives its meaning in large part from the sense that political order has (at least potentially) a certain function and character and that this is suborned and subverted when interests turn the political system to their own ends. We can disagree about what politics requires and about what supports or harms it. But, in the West, we have this concept because we think that politics can be prevented from working as it should, with damaging long-term consequences, when people use their power for their own ends, or where the exercise of public office is subverted by forces that lack legitimate standing within the political system. Moreover, while the technical discussion of corruption is often very precise and may seem unconnected with this tradition, there is also a public discourse in which corruption is used by people to describe their sense that political power is being subverted by sectional forces. This tension between technical and popular understandings can give rise to confusion for which there is no simple solution.

Technical definitions are also dogged by the clear normative connotations that are intrinsic to the term 'corruption'. At the same time, popular understandings, while they express this normative element, are often imprecise and highly emotive and may attribute to corruption a range of failings in the political or economic system that are not in any clear sense corrupt. At the same time, the absence of popular concern certainly cannot be taken as indicating the absence of corruption. One middle route between highly technical definitions and relying on popular understandings has been to appeal to the intrinsic character of a particular political system as a basis for identifying corrupt deviations. Dennis Thompson, for example, in his work on 'mediated corruption' (2005: 143–73) partly appeals not only to shared norms but also to the character of the democratic system.[3] The difficulty with this route is in justifying the norms that are taken to be integral to the type of political system. (In an appeal to stand-ards of democracy should we think of this as reflecting norms of democracy *tout court*, or of democracy in the USA, or, more broadly, of constitutional democracies or representative political systems?)

On the account I am proposing, corruption arises within a set of largely Western assump-tions about politics and its character.[4] This encourages us to extend the focus of concerns about cultural differences and the importance of local understandings from a concentration on what behaviour people classify as corrupt, to identify the framework in which they make these judgements. That is, by grasping how they understand the political system and its oper-ation, and how far they have a sense of the political as a sphere in which conflicts could be resolved in ways that can be widely legitimated. The challenge for political scientists, from

this perspective, is to recognise the diversity of political orders and the various judgements that are made about the forces that threaten the stability and legitimacy of these orders. Exactly what counts as corruption may be relative, but our understanding of it is rooted in a conception of politics that sees it as a distinct sphere of allocation and exchange and as one that can be subverted in ways that attack its basic 'nature' or function, and that we call corrupt. The underlying conception of politics is often deeply contested, and its precise character and scope will vary across different contexts, but people's concerns with corruption are predicated upon it. People's conception of politics can be flawed: by seeing politics as appropriate where other systems of rules or norms – social, familial, religious – provide a basis for distribution and exchange and are able to command a sufficient consensus, which politics may destabilise or damage; or by failing to recognise the contradictions in their conception – as when they expect both direct accountability to popular pressure and procedural fairness. But, while conceptions can be flawed and contested, it is the underlying conception of politics that is at stake, and that is something that is not infinitely varied. There are feasibility constraints and limits on what conceptions can provide sufficient normative content to fuel judgements of corruption, both of which give some objective and cognitive character to the debate. And, while some cultures do not have an understanding that delineates politics from other realms (such as religion) or that subordinates politics to those realms, we can understand the growing universality of the language of political corruption as symptomatic of the way that Western states and global capitalism have drawn a wide range of different social and political orders into a system of power and exchange that has increasingly necessitated the development of domestic political institutions that the West can recognise and endorse, in part by their sharing (or seeming to share) in its understanding of the character of politics.

When we define political corruption, then, we do so with a sense that politics has some structure and order (if only potentially) that is being subverted by people who fail to conform to the norms and expectations of that structure in their societies and do so in pursuit of advantage for themselves or their groups or factions. People can fundamentally oppose the political order without being corrupt (as with revolutionaries), but their behaviour counts as political action (rather than corruption) because they project another order and different criteria of legitimacy and because their end is not simply their own gain but the establishment of an alternative political system.[5] As political theorists and political scientists, our vocation is centrally concerned with identifying the conditions for the emergence and continuance of stable, legitimate orders that command authority and that are able to resist subversion for personal or sectional ends either by those entrusted with power and responsibility or by internal social forces or external powers. But we should recognise that what this will look like is likely to be heavily dependent on local causal conditions and existing cultural commitments and norms.

Towards a tentative definition

It should now be clear that we will not find a one-line definition of corruption.[6] If we adopt something like 'the misuse of public office for private gain', we may find the conditions to be present without corruption being the appropriate term, as the case of treason shows. Equally, we might fall short of one of the conditions and yet still want to use the term 'corruption': when a politician sticks to the rules but devotes his office to maximising his income; where a public official's distribution of contracts responds to a mix of threats and offers (what Nozick calls 'throffers' [1972]), so that he has little choice in what he does; or where the gain is to one's party or constituency, rather than personal, but where rules or norms are broken or

subverted.[7] We need then to identify the major elements of political corruption, which can then be combined into a rough definition, one that sketches a core conception while acknowledging that cases without all the core features may nonetheless count as corruption.

The key elements of a definition of political corruption are:

- a conception of public office with rules and norms for the conduct of that office, where the office is defined partly in terms of a broader public interest that it serves, and where these interests may conflict with the personal or partisan interests of the office-holder;
- a view that corruption involves the distortion or subversion of the exercise of public office so that it meets private, partisan or sectional rather than public interests, so that some people gain who should not and some lose (or fail to benefit) who should not;
- the idea that three actors are normally involved in or affected by corrupt activity: the occupant of the public office (A), the intended beneficiary of that office (B) and the actual (i.e. newly intended) beneficiary of the particular exercise of that office (C).[8]

Combining these elements we can arrive at a suitably tentative definition:

> Corruption in politics occurs where a public official (A), violates the rules and/or norms of office, to the detriment of the interests of the public (B)[9] (or some sub-section thereof) who is the designated beneficiary of that office, to benefit themselves and a third party (C) who rewards or otherwise incentivises A to gain access to goods or services they would not otherwise obtain.[10]

Note, the definition does not assume that A's behaviour must break the law. Legal definitions of corruption can fail to capture some of the worst cases of corrupt activity because corrupt transactions can be institutionalised in the laws of the state or economy, as recognised in work by the World Bank on 'state capture' – that is, where corrupt relations are used to pass laws that entrench, extend and render 'legitimate' corrupt gains (World Bank 2000).

Although I have emphasised 'political' corruption, it is clear that the term can also be applied in other domains. We can talk of economic corruption, or corruption in a range of public services, such as health or education. But all corruption has the same conceptual structure: first, a recognition of certain formal responsibilities attached to an idea of office or a position of trust, which imply certain responsibilities and constraints on certain types of self-interested behaviour; second, the violation of rules and norms concerning the exercise of that office or trust; with third, the (intended) harming of one set of interests identified by the rules and norms as legitimate, to serve others deemed illegitimate; and fourth, the benefitting of those not formally entitled to benefit and, thereby, the subversion of the legitimated ends of the office.

The importance of context

One area in which there has been disagreement about how to characterise a corrupt act concerns the issue of non-triadic relationships. In the definition given above there are three types of agent: those in public office (A); those who are the intended beneficiaries of those offices (B); and those who are the actual beneficiaries (C). In some cases, however, we want to identify agents as corrupt when they use their office to expropriate wealth directly from the state for their own benefit. A public official who takes money from the office safe is not engaged in a triadic relationship – his actions do cause harms and may mean that some

individuals entitled to a benefit do not receive it, but this is not done in a way that benefits a third party. People's intuitions here vary. It seems clear that a kleptocrat ruler is corrupt because he systematically distorts the exercise of power to his own benefit. I am less persuaded that the office clerk who steals postage stamps is corrupt. Those who want to equate the cases show exemplary consistency in criteria: A is clearly abusing his public office to serve his private interests. But they omit the political context of the action. The clerk is engaged in theft – he is stealing from his employer, he is not, in most cases, distorting the way in which power and authority is exercised. If we take an understanding of corruption that tries to think hard about the political order and its subversion, then the kleptocrat's case looks very different from the clerk's, even if their actions can fall under the same description. Pressing the political interpretation is complex, because we have to have some sense, in highly corrupt states, of what is actually possible, but it also has the advantage of not overgeneralising and not proliferating cases of corruption. Moreover, accusing people of theft is both simpler and better understood in the public domain, and it avoids tainting the system with the more general claim that it is corrupt. It may lack adequate regulation, it may create incentives and opportunities for people to steal, but in itself this does not make it politically corrupt.

That said, the cases lie on a continuum, and it has to be a matter for argument and judgement as to what type or scale of thefts is sufficient to count as politically distorting. One possibility is that, beyond a certain point, those involved need the collusion of others and to secure that the illicit 'redistributive' process begins to develop implications for how far a wider range of people are fulfilling their roles. Moreover, these additional beneficiaries do now provide us with the third triadic point (C).

The misuse of public office for private gain is too blunt an instrument to serve as a definition of corruption. President Clinton's philandering looks like it meets that definition, but it is conceptually incontinent to think that the philandering is itself a case of political corruption. On the other hand, a political system that systematically allowed its president or government ministers to impose their sexual demands on young women (as in Mario Vargas Llosa's depiction of the Dominican Republic under the Trujillo regime) looks more plausibly corrupt because it does turn political power into a source of access to goods and resources that are not formally and legitimately in its domain, leading to cover-ups, conspiracies against the public interest, the use of coercion, fear and brutality and distorting the character of political power.

The cases of kleptocracy and of self-serving dictatorships more generally are usually cases of A-led corruption. The state begins as a body of armed men, they recognise the virtues of being stationary rather than roving bandits (to follow Olson's distinction [2000]), but, while they court some legitimacy, they court only what they judge necessary to keep their hold on power and to allow them to maintain their expropriation. They are primarily systems of domination and exploitation, they have a very limited arena of politics, and their authority is often heavily buttressed by coercion, intimidation and ideology. In making the rules, they can sometimes ensure that they do not need to break them. But, while this leaves them clean on many definitions of corruption, the public domain is corrupt because it involves the distortion or subversion of the exercise of public office so as to meet private, partisan or sectional rather than properly public interests. This is inevitably a partly normative claim: it assumes that there is something like a telos to the idea of a public domain or the public interest and that no amount of legislation can define away the content of the public interest to eliminate its status as a standard, which is not to say that its definition is easy or uncontentious. This underlines the fact that corruption is a partly normative concept and that when its underlying sense of a deviation from a 'natural' or ethical standard of politics is eliminated then the term loses its moral and cognitive compass.

Applying the term is not, however, equally easy in all contexts. In a state with a structured and well-regulated public domain, with high levels of transparency and an active and open public culture, not only is the detection of corrupt activity easier, so too is its identification as 'corrupt', because we can see that the agent is using his office in ways that violate clear standards for that office and because we can identify individual gain. But this is a great deal more difficult where the political order is more fractured and chaotic.

While the self-interested violation of norms and rules of public office looks like at least a necessary condition for corruption (not sufficient because of the case of straight theft), in war-torn states, transitional regimes or a variety of other contexts in which the rules and expectations of public office are not clearly articulated and laid down, it may be unclear how to characterise the agent's actions. This is because we are not sure what to say in cases where people have no realistic options but to act as they do and because it seems odd to characterise their behaviour in terms that assume that it is self-serving. We may here be talking about the victims of corrupt states or of cases where disorder is so rampant that no norms concerning public office and the allocation of resources are operative. In these cases, behaviour may not be wholly a function of necessity, or self-interest, but may involve family duties, ethnic or religious loyalties, fidelity to friends, norms of reciprocity, machismo values of risk-taking, and so on, each of which may displace the norms of public office for some individuals or groups of individuals. Where international agencies or central institutions attempt to establish norms that demand different behaviour than those of the group, these activities will seem corrupt, even though it is not clear what alternative behaviour is open to people. In some cases (as with family-based mafia organisations), we are dealing with mutually exclusive normative systems, but in others we often face powerful normative systems that are more benign but are still partly in conflict with the norms of the political system. Above all, we need to grasp what is motivating people if we are to change the way they behave or adjust the demands we make of them.

What we cannot do is to assume that self-interest lies at the base of every action. Economic models of corruption mostly assume that the way to reduce corruption is to reduce the incentives to break rules, either by increasing the costs of being caught or by increasing the cost of the activity itself (either making it more difficult or reducing the opportunities for it). But seeing things in cost–benefit terms assumes that the agent's orientation towards rules and norms is such that they are to be followed or broken in accordance with a calculation of rational self-interest. This characterisation runs up against the issue of what it is to follow a rule. If rules have no salience for the individual except where following them maximises self-interest, then the character of a rule is not being recognised. If we think all other agents have a wholly opportunistic attitude to the rules of a game, then the game falls apart (much as if we were to assume that when people speak they only ever say what they think will work to their maximal advantage in a given situation – that assumption would destroy the conditions for conversation, collaboration or friendship). For it to be a rule for an agent, it needs to be recognised as a prima facie guide to conduct and/or as a way of initially framing a context. That a rule may subsequently be violated to maximise self-interest does not mean that we should understand compliance, where it happens, as also self-interest maximising. Given the chance, we might decide to cheat at chess, but to weigh compliance with every rule by the test of expedience would be to make the game itself unintelligible. Corrupt players, for the most part, want to cheat within a framework that identifies goals, means and opportunities. To repudiate the framework entirely is not to play that game. This means that the issue cannot be wholly reduced to providing the right incentive structures for people's interests. Indeed, it is wildly ambitious to try to establish a system of cross-checking interests that can

ensure that both the principal actors and those responsible for rewarding or penalising their behaviour act to sustain the political order while also acting maximally in their own interests. It is more useful to think in terms of how to frame people's relationship to the political system so that they share (some of) its norms and values rather than having their aspirations and expectations framed by wholly non-political expectations, whether economic or cultural. This is why those who are trapped in situations where there is no clear sense of what the rules are or what the game is are not best understood as corrupt. And it is that insight that underlines the sense that it is only by having politics (to a reasonably structured extent) that one can have political corruption.

A further dimension of the definition is that it should alert us to potentially very different types of corrupt activity. Thus far, the examples used have tended to focus on those in public office, treating them as the key agents in corruption, but there are different types of action and those holding office in some capacity can be differentially predatory (we might appeal to the Knapp Commission's distinction between grass-eaters and meat-eaters), but the triadic definition also points to the potential importance of the other agents (or groups of agents) involved.[11] A can play a variety of roles, from predator, to accomplice, to victim, and corruption can be very much C-led, rather than initiated by public officials. In predatory mode, A may initiate the corrupt exchange and actively seek out opportunities for such exchanges. A is an accomplice if he is responding to initiatives in their mutual interest from C, who is either outside or in another part of the political system. A is a victim when he is subordinate to the demands of others, by blackmail, intimidation or coercion. Political systems can be corrupt from the head – hence the anti-corruption mantra 'the fish rots from the head' – but they can also be corrupt from the body; that is, that societal group and forces may be such as to undermine the autonomy of the political process and suborn or intimidate those in public office. These distinctions can help us to recognise certain types or, as Michael Johnston has termed them, syndromes (2005). A-led corruption can be recognised in the case of official moguls; influence markets and elite cartels are predominantly reciprocal systems, and C-led corruption is common where oligarchs and clans, with bases outside the political system, are able to control and dominate greater or smaller parts of that system. Johnston's categories are ideal types (although that cannot be quite the right term!), and given cases might need further analysis, pressing the question of how some get others to do things they would not otherwise do, what the basis for that capacity is and how far it is distinct from, linked to or rooted in the formal political system, as well as how far there are any clear lines between political institutions and other social and economic structures. But they have the great virtue of taking seriously both the variety of forms of corruption and the very different problems faced by strong and weak states.

While definitions and studies of corruption tend to focus either on predatory public officials or powerful extra-political interests that subvert the political process, relatively little attention is given to those who lose out by their activities – namely B in the triadic relationship. One reason is that the claim that they necessarily lose out can be challenged. In states which are locked up in red tape, it is possible that corrupt activity can promote economic activity that benefits all; where corruption plays a part in a rationing system for scarce resources, and where influence is exerted through patrimonial systems, rather than financial incentives, formally corrupt systems may produce more rational allocations than the available alternatives. More generally, there is always an issue of whether a group, B, is worse off than it would be, not if it received its due but if it received what could be secured to it from the feasible set of possibilities in a given situation.

The case of B is simple where there are clear distributional principles and entitlements that are widely legitimated and a political system that complies with these relatively systematically.

Things become more complex the more fragile the order. They become more complex in part because the roles of A, B and C lose some of their distinctness: public office and its boundaries and responsibilities are less sharply delineated; and lines between B and C may also become indistinct. Thus, in post-conflict areas, everyone may be engaged in a struggle to secure resources in what is effectively a zero-sum game. Even in more structured and ordered contexts, although we can enhance B's power in various ways to reduce their risk of losing out, or to increase their ability to hold public office-holders to account, we also have to recognise that political systems also need to educate their expectations. Popular senses of exploitation or disadvantage often have recourse to the normative and emotive language of corruption to classify issues that are in fact a function of a range of other problems. And this can serve further to destabilise political systems. In many respects, this parallels the concern underlying Hobbes's obsession with definition. We need a clearly defined lexicon, but we also need to ensure that that language both reflects and orders in various ways the understandings of those who act in politics, lest conflicting understandings generate or reinforce conflicting interests that threaten the integrity of the political domain. To be united under the sovereign is partly to accept and share a common political language and its accompanying expectations.

Assessment of the dynamics of the interactions between these three elements, A, B and C, is central to grasping the precise nature of the activity involved. But attention also needs to be directed to the site and the character of the corruption: does the activity aim at the electoral process and the filling of public office, at controlling policy within the political process or decisions within the administration (including the allocations of burdens, such as taxes and rates, or benefits, such as licences or contracts), or at eliding the formal controls on public officials and members of the political elite? How securely is the political system legitimated, and how far is its activity undermined by non-compliance among the wider population? And what impact does this have on the way the state acts and especially on its ability to retain its capacity to rule and on its relations with enforcement agencies within the state, such as the police and army. The precise form and context of corruption will affect assessments of what remedies might be appropriate. In choosing between norms, incentives, penalties, scrutiny systems and demands for transparency or tolerance, one must fit the medicine to the patient.

The more that corrupt activity flows from individual incentives unattached to group norms and a broader motivational frame, the easier it is to deal with. Any political system has a few bad eggs, every system needs checks and audits, and public officials need to be clear when contacts with the public over-step acceptable bounds. But if we are dealing with isolated cases, the costs are likely to be less extensive and detection and prosecution easier. In contrast, the more embedded corrupt activity is within a society's broader social or cultural mores the more difficult it is to deal with, because there will be more things to change, more reflexive and organised resistance to such change, less legitimacy attaching to those who promote the changes and considerable collective action problems (such as who is to change first). Where holders of public office share these extra-political mores, it becomes increasingly difficult to say that corruption is A-led or C-led, since there can be a very high degree of collusion between the actors and a sense that what they do is legitimate. The more widespread this sense is, the more difficult it is to identify any institution or office in the political system that could authoritatively signal that the activity is unacceptable.

Conclusion

Understanding issues relating to the definition of political corruption in the way I have suggested should alert us to the fact that our Western language of corruption is unlikely to

map without difficulty onto all local understandings. For example, corruption, as Western political scientists use it, is a largely technical term that may part company, sometimes dramatically, with the broad public use of the term to express dissatisfaction with their government. That is a reason to be careful about its local use and to avoid broad-brush anti-corruption campaigns, which, as Ivan Krastev (2004) has argued, are likely to trigger unrealistic expectations. Indeed, in many states a good deal of work needs to be done to help to articulate a conception of politics and of the role of the state that can command widespread legitimacy and form the basis of people's expectations of their political and administrative systems. On that ground, the World Bank's shift in concern away from corruption to governance indicators is to be commended (even if the contestability of these indicators tends to be underestimated). Scattering the landscape with anti-corruption slogans establishes negative attitudes but often does little to contribute to positive expectations and the emergence of a shared lexicon of political evaluation.

I have argued that careful thinking about the respective roles of the three agents identified in the definition of corruption can help us recognise a wide range of different corrupt practices, with corresponding implications for the way in which we respond to corruption. I have not in any sense sought to be exhaustive in my analysis, but I have tried to make a case that a fine-grained analysis of the exact form that corrupt relations take in any given state is necessary if we are to think constructively about how we might explain and address the problem. To do this we do not need a single-line definition but a grasp of the conceptual commitments within which it makes sense to talk of corruption and within which we can develop finer grained distinctions that isolate different types of corrupt relationship. And we need to reflect on the plausibility and relevance of those commitments to that particular context and to the norms and expectations that people have. In turn, this will allow us to think through directed strategies to tackle particular problems, in particular contexts. In my view, this kind of activity is very much in keeping with Hobbes's concern, 'by exact definitions first snuffed and purged from ambiguity to secure the increase of science and the benefit of man-kind'. It is just a lot more difficult than it is often taken to be, and it demands a very acute awareness that the terms we use come from a particular way of seeing the world that others do not automatically share and that a world in which people do not share understandings of corruption will inevitably be a disordered one. Moreover, with Hobbes, the underlying point of such an account of the definition of corruption is to develop a lexicon that, in given national contexts, can secure legitimacy, and thereby consensus and political order, as against 'contention, and sedition, or contempt'.

Notes

1 See Pettit (2008) and Blau (2009).
2 See Pocock (1975) and the voluminous literature that followed it.
3 See also Warren (2004).
4 Although there are instances of similar analysis elsewhere, for example in Ibn Khaldŭn's writing on the Maghreb (although this too was strongly influenced by Aristotle). See Ibn Khaldŭn (1958).
5 See Philp (2007), Chapters 3 and 5. This is not to deny that the adoption of certain means may lead to the defeat of certain self-proclaimed ends.
6 On definition, see Heidenheimer (1970), Heidenheimer, Johnston and LeVine (1998), Heidenheimer and Johnston (2002). See also Johnston (1996), Philp (1997); also Philp (2006) and, my last attempt to get things right, Philp (2011), to which the three subsequent paragraphs are indebted.
7 The case of Richard Nixon is contested, but at least some of his misuse of public office is not best understood as undertaken for private gain, although we want to characterise it as a part of the corrupt character of his presidency.

8 A misfiring of a corrupt intent does not detract from the corrupt character of an act. It is corrupt if A tries to ensure that C rather than B benefits, even if A fails. This triadic relation does not always hold (in a kleptocracy, for example, A and C are the same, whereas, with administrative payments, B and C may be identical, although A also gains) but the identification of three distinct roles encourages us to distinguish common theft or fraud from corruption, and helps capture how corruption distorts the exercise of public office and power.

9 Corrupt acts may not always harm, or directly harm, B. Moreover, the point is not that we define corruption solely by its consequences, so much as that we define it by a combination of intention and the distortion of political processes. So if by accident, A's corrupt relation with C benefits B, it is still corrupt. Moreover, even if A does not intend to harm B (or withhold a benefit from B), B's interests are taken to include a procedural interest in the rules of the political system being upheld, and A acts in ways that are negligent with respect to B's interests. Although people accused of corruption in fact often claim to be acting for the benefit of ordinary voters, it is often not difficult to show that they are primarily seeking personal gain. And where rules are broken to secure wider public interest, we tend not to describe it as corrupt.

10 This might be interpreted as linking corruption firmly to impartiality, much as is done in Bo Rothstein's *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (2011), but the definition makes no reference to the content of the rules, which may not themselves be fair, without being corrupt. Moreover, impartiality is likely to turn out to be as contested a concept as corruption and is thus perhaps not a good alternative!

11 The Knapp Commission, officially the *Commission to Investigate Alleged Police Corruption*, was set up in 1970 to investigate corruption in the New York Police Department. It reported in December 1972. Grass-eaters was used to describe those who took bribes and back-handers because that was what everyone did; 'meat-eaters' were those who actively sought opportunities for financial gain.

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2

DEFINITIONS OF CORRUPTION

Oskar Kurer

It has been widely deplored that no generally accepted definition of corruption has emerged. However, to expect everybody to agree on its precise nature is as unrealistic as a consensus on the exact attributes of democracy. Thus, the purpose of this chapter cannot be to find the definition of corruption.

Researchers and campaigners against corruption will continue to choose a definition that suits their purpose. Nevertheless, definitions are important. Any research effort dealing with corruption ought to have some explicit concept of the nature and scope of its subject. Moreover, constructing accurate global indicators presupposes a common understanding of corruption. Without it, measuring and comparing subjective assessments of corruption yields results that are meaningless if these appraisals are based on different notions of corruption.

In view of the difficulty of defining corruption and the need to operate within a definitional framework, this essay outlines different concepts of corruption and the problems these face. Moreover, it tries to answer the question whether there is sufficient agreement on the nature of the phenomenon to arrive at meaningful measures that can be employed internationally.

What's a good definition? *The Oxford Dictionary of English* refers to 'an exact statement of description of the nature, scope, or meaning of something'. It ought to be 'precise' in the sense that it delineates the boundary between corrupt and non-corrupt actions or states of the world. Without this precision the definition is not operationable. Moreover, definitions also ought to conform to common usage. Although there is nothing wrong with inventing one's personal concept, a discourse on the social phenomenon 'corruption' does require some common understanding to have any meaning at all.

The chapter starts with the definition with the widest conceivable scope. It then reduces the domain of corruption from physical objects to corruption of society at large to public and private organisations and ultimately to the public sector, the misuse of a public function for private gain. It continues by looking at alternative conceptions of 'misuse', mainly legalistic, public interest and public-opinion approaches. It lastly proceeds to the question of the existence of a consensus sufficiently broad to warrant international comparisons of corruption and the reason why such a common understanding might exist.

Corruption: Falling short of a standard

Corruption always involves a failure to conform to some standards. These standards may refer to physical objects, to states of society and culture or to individual behaviour. Corruption as physical decay – of objects that decompose like fruits or become damaged like 'corrupted' computer files – is for obvious reasons beyond the scope of this discussion. This leaves as its domain the failure of persons, institutions and cultures to live up to some standards.

The scope of the subject will be further limited in so far as only individual actions are considered corrupt and not states of society or culture. Political systems, for example, that are corrupt in Aristotelian terms 'in that they systematically serve the interests of special groups or sectors' (Scott 1972: 5) are not part of the discussion that follows. To repeat, it is not argued that such definitions are in any way deficient. It makes perfect sense when Aristotle calls tyranny a corrupt form of kingship (Heidenheimer 2002a: 3) or lays down an 'ideal' system of democratic rule and calls all deviations from this standard corrupt. Moreover, approaching the definition through standards of individual action or ideal states of the world has similar implications if violating the 'common good' or the 'public interest' is made the benchmark in both cases. Whatever road is chosen, to make the concept operationable requires an agreement on the 'common good'[1] and how it is going to be realised, something unlikely to be forthcoming.[2]

An early definition focusing on individual action we owe to Brooks who explicitly integrates the family into the sphere of corruption when he defines it as 'the intentional misperformance or neglect of a recognized duty, or the unwarranted exercise of power, with the motive of gaining some advantage more or less directly personal' (1909: 4).

Divorce, marital infidelity and childless unions, according to Brooks, all fall into the province of corrupt actions. Oddly enough, Transparency International uses a similarly broad definition, 'the misuse' (2012a) or 'abuse of entrusted power for private gain' (2012b), apparently without being aware of the implications for the sphere of corruption. Their activities certainly do not reflect the scope the definition entails. In what follows, corruption in private life is not considered.

Corruption in social organisations

Excluding family life from the realm of corruption still leaves the 'whole list of social organizations' within its bounds, public and private, 'the church . . . educational associations, clubs, and so on' (Brooks 1909: 5). On the whole, definitions have not followed Brooks' lead but instead have focused on political corruption, or the abuse of a public office for private gain, to use the most widely used version.[3]

Ought actions by individuals operating in the private sector be included within the boundaries of corruption? Violations of a 'recognised duty' or a 'misuse of entrusted power for private gain' are obviously to be found there too. Both sectors view certain practices, like bribery or embezzlement, similarly; the misuse of entrusted power of a public and private employee does indeed closely resemble each other.

Moreover, as Brooks noted, 'much of the impetus to wrong-doing in the political sphere comes originally from business interests' (1909: 5). In this light, it seems unsatisfactory when only the actions of public actors are considered corrupt and not those of the individuals who have prompted it. On the other hand there is no reason to label any kind of morally unsatisfactory behaviour 'corrupt'. Nor does the narrow definition preclude an analysis of the origin of corruption and the role played by private sector participants or by social structures.

More substantial arguments in favour of including the private sector are based on shifting boundaries between public and private sectors. If corruption is defined as a property of the public sector only, its incidence will tend to increase with the relative size of this sector. Scott, for example, finds it unsatisfactory that a country might be deemed more corrupt only because it has a relatively large public sector (1972: 8). Similarly, corruption might decrease merely because 'public purposes are more and more farmed out to nongovernment organisations and profit-seeking businesses' (Warren 2004: 331–2). In the context of China's incomplete privatisation the boundary between public and private becomes even more elusive: 'many state enterprises are now contracted or leased to private parties, while urban or rural collectives, and joint ventures are neither completely public nor private' (Sun 2001: 247). In all such cases a narrow focus on public-sector corruption may distort the incidence of corruption.

Yet to extend the definition of corruption comes at a cost. Besides similarities of corruption in public and private organisations there are differences in the normative structure as well. The limits to reproach are narrower for public office holders than for the owners of private businesses. Influencing the decision of an owner of a business is not a matter of corruption; offering money to receive favourable treatment is the very nature of business. Nepotism is a hallowed practice in the private but not the public sector. Discretionary funds are less likely to cause problems in the private than in the public sector with different accountancy rules. This different scope and nature of corruption in the public sector speaks strongly in favour of concentrating the discussion on the public sector.

There are other reasons for focusing on the public sector. As norms of private and public sector differ, lumping the sectors together increases the difficulty to define the attributes of corrupt acts and reduces the already low level of operationability of the concept even further. Even more importantly, the public has a greater interest in corruption in public than in private institutions. Bribing a policeman or a judge to get a special favour is of different significance than bribing an employee of a private organisation. Corruption in the private sector or business-to-business corruption, such as theft or bribery of private-sector staff, affects primarily the interests of the owners of such enterprises who can normally be expected to take appropriate countermeasures. Corruption implicating the public sector affects the interest of the public directly and effective countermeasures often involve political processes.[4] Moreover, whole categories of corruption are mainly restricted to the public sector. Successful extortion relies on the ability to enforce administrative decisions; nothing equivalent is available to a private company operating in a market economy. There are good reasons to restrict the scope of the definition to actions involving public functions – to public office and private–public sector corruption.

Misuse of public office for private gain

There are a number of problems associated with the most widely used definition of political corruption, the 'misuse of public office for private gain'. The obvious difficulty is to define abuse or misuse. Before addressing the issue of misuse, some more clarifications are useful. Actions imply intentions; thus 'corruption is intentional' (Brooks 1909: 6).[5] If the failure to meet a recognised duty is due to simple inefficiency, no corruption is involved. 'The corrupt official must know the better and choose the worse; the inefficient official does not know any better' (Brooks 1909: 6).

Corruption is sometimes defined as involving a transaction. This does not conform to conventional usage; there are a number of unilateral acts that are generally considered corrupt. Brooks knew this well when he talked of legislators, voting 'favourably or unfavourably on

pending bills, endeavouring at the same time to profit financially by their action' (1909: 4). Equally, few will call the embezzlement of the type of Nigerian or Angolan politicians who abscond with a large part of the public oil revenues anything but corrupt. Again, there is obviously nothing wrong with narrowing the scope of analysis to corrupt transactions, but such a restricted view does not amount to a general definition.

Critics have sometimes found fault with this definition because corruption may have beneficial social consequences. This charge is beside the point. Corruption is defined as breaking public office norms – not by the social consequences that follow. Breaking most norms has sometimes positive social consequences. Theft may have beneficial effects too. That corruption may serve political and social integration, as a mechanism to redistribute wealth or that it may increase efficiency in over-bureaucratised states, does in no way cause problems for this conventional concept.[6]

Nor does this notion of corruption, as has sometimes been claimed, clash with public opinion. It is true that one 'does not condemn a Jew for bribing his way out of a concentration camp' (Rose-Ackerman 1978: 9). The example is beside the point because only the action of the guard is corrupt and not that of the prisoner, and it is only corrupt because the sentry enriches himself in the process. The case is simply another illustration that corrupt actions might have beneficial consequences.

Even less plausible is the charge that 'this definition reduces corruption simply to a problem of dishonest individuals or "rotten apples" working in the public sector', 'to individual greed and personal venality' (Haller and Shore 2005: 2). Misuse of public office may well be endemic and caused by structural factors; it has indeed been analysed in these terms for decades (e.g., Scott 1972).

Corruption occurs only where a personal benefit is expected, material or immaterial, typically in the form of wealth, political power and social status. Where benefits from misuse flow to tribes, ethnic groups or political parties, actions are corrupt when they increase the status and political power of the corrupt official. A personal benefit may be indirect when, for example, an action enhances the welfare of the family or clique with whom the actor identifies.

Without an expected gain there is no corruption. Police officers determined to 'put a bad guy away' and perjure themselves 'in order that legal standards of proof are "met"' may not be acting corruptly, although their behaviour undermines 'processes that are intended to reflect as well as preserve the values of a liberal democratic society' (Kleinig and Heffernan 2004: 12).[7] On the other hand, an action may be corrupt even if no gain accrues: an insider deal that goes awry may still be corrupt.

Problems begin with the question of what constitutes a public office. A narrow interpretation associates a public office exclusively with the Weberian state, the separation of public and private realms and the existence of a modern bureaucracy. If this road is taken, no corruption occurs in pre-modern as well as modern states that lack these attributes; personalist regimes like that of Mobutu's Zaire are prime examples where this narrow view excludes the existence of corruption. A wider interpretation of what constitutes a public office on the other hand embraces all public power holders, or, to follow Brooks, all those able to violate public duties. In what follows, this latter view is adopted, a view that has the advantage of corresponding to widespread usage – even in failing states where formal public office rules have largely broken down, talk about corruption is very much in evidence.[8]

Moreover, the wider net catches important holders of public power who are not functionaries of the state, in particular the voters. Indeed, the corruption of those holding political power often corresponds to the corruption of voters who support corrupt politicians and

benefit from their largesse. Dobel is one of the modern writers who employ the concept in this expanded way: corruption 'means the betrayal of public trust for individual or group gain' that may undermine 'the efficacy of the basic political structures of the society and the emergence of systematic corruption in all aspects of political life' (1978: 958).

On the whole, the public office standard has weathered the criticisms levelled against it fairly well, but only at the cost of being exceedingly vague.

Standards of misuse

Standing in the way of an operationable concept is the reference to 'misuse' or its equivalents, Brooks' 'duty to the state' (1909: 4), Banfield's betrayal of trust (1975: 587) or Nye's standard of 'rules against the exercise of private-regarding influence' (2002: 284). How can these notions be transformed into workable demarcation criteria?

Scott had suggested three approaches: legal norms, public interest and public opinion (1972: 3). All these definitions have been severely criticised. According to the legalistic definition, misuse occurs if an action is 'prohibited by laws established by the government' (Gardiner 1993: 115). The advantage of this type of definition is its high score on the operationability count: what constitutes breaking formal rules and regulations is relatively easily established and, in principle at least, observable.

One of the obvious problems of the definition is that rules differ in different periods and locations. It then becomes unclear what rules are going to be applied. More importantly, acts not illegal are not corrupt. Influence-peddling is not corrupt if not explicitly outlawed, and legalising nepotism and bribery can largely free a country from corruption. The boundaries to corruption are drawn too narrowly; certain legal actions have to fall within the bounds of corruption.

One way of escaping the problem of the narrow scope of legalistic definitions is to equate misuse with violations of the public interest: corrupt actions do 'damage to the public and its interests' (Friedrich 1966: 74). Influencing administrative and political decisions and using government resources for the benefit of the ruling class and their followers can now enter the domain of corruption, even if these acts are legal. For some writers this becomes the heart of the issue of corruption: 'Most commonly, political corruption involves substituting rule in the interests of an individual or group for those publicly endorsed practices which effect an ordered resolution to conflicting individual or group interest' (Philp 1997: 458).

The approach does suffer from a number of disadvantages. To begin with, it prejudges the result of corruption; corrupt acts are socially detrimental by definition (Caiden and Caiden 1977: 302). The debate on the consequence of corruption is reduced to the precise nature of the social damage that ensues. There is a more important objection, however. The definition 'would require an unambiguous definition of the public interest' and thus constitutes an attempt 'to resolve an essentially normative or ideological question by definition' (Scott 1972: 3). For a long time, the objection has been considered decisive.

In recent years the public-interest definition has been resurrected, albeit in the slightly different guise of corruption in a democracy. Corruption, it is argued, 'is best understood in terms of transactions that subvert the impersonal processes of democracy' (Kleinig and Heffernan 2004: 9); or, in a somewhat different version, 'one of the most sinister forms of political corruption in a democracy is when the "democratic transcript" is betrayed: that is, when members of the political class act in such a way as to prevent or circumvent the exercise of accountability' (Heywood 1997: 423). The public interest is identified with an ideal form of democracy where corruption damages this 'democratic transcript'.

Warren takes the argument one step further. In his 2004 paper he is careful to propose a 'concept' and not a 'definition'. Nevertheless, the highly innovative concept can be read as a proposal for a definition. Warren accepts that all concepts of corruption operate within the framework of misuse of 'common' power (2004: 332) and goes on to identify misuse with violations of the principle that 'every individual potentially affected by a decision should have an equal opportunity to influence the decision' (2004: 332). Corruption is always a form of duplicitous and harmful exclusion of those who have a claim to inclusion in collective decisions and actions. Corruption involves a specific kind of unjustifiable disempowerment (Warren 2004: 329). He then concludes that 'through the democratic norm of empowered inclusion, we can identify the harms to democracy quite precisely, domain by domain': in government administration, judiciary, legislatures, media, civil society associations and markets (Warren 2004: 340).

Even if Warren's general specifications of the public interest in democratic government – mainly the 'norms of openness, publicity, and inclusion' (1994: 330) – did correspond to widely accepted norms of democratic government, the weakness of public interest perspectives remains. Who decides on the norms of 'empowered inclusion' if discourses fail to produce a consensus on 'duplicitous exclusion' in the various domains ranging from 'unfair trading practices' to 'open information for investors' and 'fair terms of exchange'? Where does constituency service end and vote buying start? The old argument against public interest definitions lost nothing of its force; they resolve essentially normative questions by definition.[9]

This leaves the public opinion standard as a basis to establish misuse, the standard often disparaged as the least promising of the three. Here the public is asked whether it considers an act corrupt, and the public's judgement is used as the definitional criterion (Scott 1972: 4). Scott rejected the application of the definition out of hand because 'we would undoubtedly find opinion divided or ambiguous in many instances'. Which view ought then to be adopted? The choice would be arbitrary (Scott 1972: 4). This position was reinforced by cultural relativism asserting that many practices considered corrupt in the West were deemed socially acceptable in Third World countries where they stood for 'a continuation of traditional gift-giving practices' (Scott 1972: 10). These assumptions effectively preclude an agreement on misuse.

Over time, the unsatisfactory state has spawned a large number of alternative definitions. One of the earlier attempts, the 'market-centred definitions' was mainly devised to analyse the causes and consequences of corruption with the help of economic analysis. As definition it failed because it presupposed a given and defined set of corrupt actions.[10] Nor are matters improved when corruption is defined as 'rent-seeking' since this shirks the question when rent-seeking transcends the boundary to corruption. To take a principal–agent framework does not clarify matters either, because it fails to specify 'when the principal's interest is sacrificed for that of the agent' (Alam 1989: 442). All these attempts ultimately confuse successful methods of analysis with a definition. Other endeavours do specify misuse but achieve no more clarity. Werlin, for example, advances notions like the 'the subversion of statesmanship by partisanship' or 'of governance by greed' (2002: 341). Little has been gained by these efforts.

Problems mount when political influence is considered.[11] Most people find it hard to draw the line where influence becomes corrupt. What complicates matters, for example in the case of party or campaign contributions, is the uncertainty whether undue influence actually occurs or not. Indeed, some actions are denounced by public opinion and are forbidden by public office rules even if influence remains unproven. They are condemned only because

they 'appear' to be corrupt.[12] In these cases, the definition of corruption acquires a new twist; misuse is now equated to suspected misuse of a public function. The age-old question reappears: when does a gift become a bribe? With suspected misuse the boundary between corrupt and non-corrupt actions becomes even more elusive.

When all these problems are considered, the definition of corruption based on the misuse of a public function seems to be in a truly parlous state. It appears inoperationable and thus beyond measurement.

The public opinion standard

Whereas the theoretical literature dismissed the public opinion approach unceremoniously, those engaged in measuring corruption adopted it without much hesitation. Most international comparisons are based on subjective impressions. At least the authors of the comparisons and their users must believe that there is sufficient common understanding of what constitutes corruption in the public sector to warrant the adoption of this procedure.[13]

This common understanding has to exist locally and globally. The theoretical literature generally assumed there was neither.[14] Particularly the adherents of cultural relativity perceived an unbridgeable gap in attitudes among cultures, although this notion was so weakly corroborated that it amounted to little more than an article of belief.[15]

A further confusion arose from Heidenheimer's useful distinction between 'white', 'grey' and 'black' corruption. A majority of the population condemns 'black corruption' and advocates punishment. 'Grey corruption' on the other hand indicates ambiguity about punishment and in the case of white corruption people would 'not vigorously support an attempt to punish a form of corruption that they regarded as tolerable' (Heidenheimer 2002b: 153). Thus the ambiguity concerns punishment, not whether an act is corrupt or not. We might believe an action to be wrong but still 'not vigorously support an attempt to punish' it. Heidenheimer's categories point to the area where cultural relativity may well play a significant role, in the assessment of the overall severity of a transgression in view of the circumstances of the case, including value conflicts that play out differently in different cultural environments. Yet his classification does not preclude that people have a fairly distinct view on what constitutes corruption.[16]

What is the empirical evidence for a common understanding of corrupt practices within countries and among countries? Considering the importance of this question one would expect a barrage of surveys directed at it. This is not so; only the few studies that are reviewed in this section deal with the question in a systematic way.

Of particular interest is evidence from countries with an extensive tradition of gift-giving where corruption is endemic. Both a tradition of gift-giving and the presence of endemic corruption are supposed to hinder the establishment of public office norms or erode them where they have existed. For the same reasons, studies of groups exposed to endemic corruption are a crucial test of the thesis of the wide gap in attitudes.

One institution where these hypotheses predict an erosion of public office norms is the Russian police force. A survey among active police officers and trainees indicates that this erosion does not necessarily take place. Only 'speeding off duty and showing the badge to get off' was believed to be morally acceptable by a majority of respondents (Beck and Lee 2002: 360). Next in the league of acceptability was 'getting a spouse's driving licence back without a fine' after a speeding offence; it was found to be acceptable by nearly half of those surveyed. A third of those surveyed thought using contacts to get an acquaintance released from charges of drunken fighting and accepting a free computer after awarding a police tender were

morally acceptable. All other activities included in the study – outright bribery, taking money from prostitutes and dealers, protecting a colleague caught selling bootleg vodka – were regarded as corrupt by a vast majority (Beck and Lee 2002: 360). The authors conclude: 'Overtly criminal scenarios are morally approved by only a small minority of police officers and trainees' (Beck and Lee 2002: 370). This remained true 'despite their indisputable low wages' that might have made illegitimate activities morally acceptability (Beck and Lee 2002: 364). The disapproval of practices usually considered corrupt remained high even in an institution where corruption is endemic.

A Hungarian pilot study provides perhaps the oldest general population survey dealing with attitudes to corruption. It indicated that in an environment of endemic corruption the demarcation of corruption still conformed to what would have been expected elsewhere (Hungarian Gallup Institute 1999). Still, Hungary is a Western country, and the survey was far from representative.

More significant is a population survey of attitudes in Kathmandu. It asks respondents to classify actions that included bribing administrative officers to speed up processes or waive procedures; enticing tax officials to reduce the amount of tax paid; inducing police officers to abstain from issuing a ticket; bribery in government procurement; and, finally, nepotism in public employment and procurement. All these actions were deemed unacceptable. On a scale from one (very acceptable) to five (very unacceptable), 'government employee awards a government construction contract to a friend's business because he is a friend' was the most acceptable action with a mean score of 3.83 (Truex 2010: 1136). Considering that nine out of thirteen actions received a score greater than 4, there is no indication of the postulated wide gap in attitudes.

Similar findings are provided by a survey in Kazakhstan. Money requested by doctors and nurses in hospitals to ensure proper care (in addition to the official payments), a gift by a student to a university professor in order to influence his grade, a company giving money to a government official to avoid waiting in a long queue or to avoid paying taxes, a gift to a judge at the beginning of a court case and a payment to a policeman to avoid a fine were all considered by a majority of the respondents as definitely corrupt (World Bank 2002: 69). These assessments were shared by all the different groups of respondents – households, enterprises and public officials.

Further evidence of opinions comes from the World Values Survey (2011).[17] It asks respondents to rank the statement 'someone accepting a bribe in the course of their duties' on a scale ranging from never justifiable (1) to always justifiable (10). In fifty of the fifty-five countries, the majority of the population found bribery was never justifiable. As is to be expected, the variation in the percentage of those who think bribery is never justifiable is large, ranging from Jordan (95.3 per cent) to Thailand (28.3 per cent).[18] Nevertheless, this high level of condemnation emerging from raw data is a ringing endorsement of the universality of a practice at the core of corruption.

The most comprehensive evidence supporting the view of the existence of a common understanding of corrupt practices comes from the Afrobarometer survey covering eighteen sub-Saharan countries. It not only shows that bureaucratic corruption, the petty extortion by government officials, is strongly condemned, but that nepotism is equally strongly disapproved of by majorities in each country, often large ones. Perhaps most surprising is the solid condemnation of clientelistic practices by a large majority of the population (Afrobarometer Network 2006: 13; see Table 2.1).

This evidence indicates that endemic corruption does not necessarily acquire normative force. It is not the case that once corruption 'becomes sufficiently widespread as to constitute

Table 2.1 Defining corruption

For each of the following, please indicate whether you think the act is not wrong at all, wrong but understandable, or wrong and punishable.	Not wrong at all	Wrong but understandable	Wrong and punishable	Don't know
A public official decides to locate a development project in an area where his friends and supporters lived	13%	24%	61%	2%
A government official gives a job to someone from his family who does not have adequate qualifications	5%	18%	75%	2%
A government official demands a favour or an additional payment for some service that is part of his job	5%	16%	77%	2%

Source: Afrobarometer Network, 2006. 'Citizens and the State in Africa'. New Results from Afrobarometer Round 3, Table 5.1.

a normal rather than an exceptional mode of behaviour, it ceases to exist' (Caiden and Caiden 1977: 302). The proposition, apart from being theoretically dubious, is also empirically unsound.[19]

The empirical evidence, patchy as it is, strongly suggests a common understanding of corruption: actions or practices are identified as corrupt even in environments where cultural relativity theory predicts them to be morally acceptable. This common ground might still leave large areas of disagreements and may throw up unexpected results. Thus an observer concluded from a survey of the Chinese literature on corruption that 'a core of consensus converges on corruption's basic attributes' which 'corresponds mainly to the "universal" features of corruption emphasized in the English language literature' (Sun 2001: 263). However, a number of practices were considered corrupt in China and not in the West (Sun 2001: 248).[20]

Common understanding of corruption

How can this common understanding of corrupt practices be explained? It will hardly result from long chains of deductive reasoning starting with the public interest such as ideal forms of democracies from which corrupt particular practices are derived.

The evolution of the concept of corruption provides some hints. Noonan traces it to the Middle East, where in Mesopotamia and Egypt 'from the fifteenth century B.C. on, there has been a conception that could be rendered in English as "bribe", or a gift that perverts judgment' (1984: 13–14). Bribery and corruption, he shows, are notions that have been with us since antiquity and have been debated in state (for example, Rome) and (Catholic) church ever since. Noonan also demonstrates the close link of its evolution to the role of the judge, a role demanding impartial judgement that is constantly threatened by conventional gift-giving practices, concessions to personal proximity and personal advantage (Kurer 2005: 229). This role and the associated principle of impartial action are understood everywhere as an element of the special duty of public functions, even in undifferentiated societies (Kurer 2005: 229). Corruption as misuse of a public function is universally understood because of the universality of principle of impartiality embodied in public office roles.

This leads back to question of how to circumscribe misuse and brings us to the last definition of this chapter. Misuse involves violations of norms of impartiality. If politics is seen as

'who gets what, when, and how' (Lasswell 1936), corruption can then be viewed in distributive terms, as violations of norms governing the distribution of rights and duties. To put it differently, political functionaries might discriminate in the allocation of rights and duties in ways that violate distributive norms. A definition of corruption as unfair discrimination emerges: public functionaries violating non-discrimination norms governing the allocation of rights and resources including, of course, access to the political process (Kurer 2005: 230).

The form such norms take will vary from society to society. That the sale of tax-farms in eighteenth century France was not considered corrupt does not speak against such a definition, and it is obviously a valid project to look for forms of corruption specific to democracies. However, over these obvious differences the similarities in the interpretation of misuse ought not be forgotten: the misuse of public funds, peddling political and administrative influence and engaging in nepotism by favouring those socially close and discriminating against those more able.[21] These topics have been debated for centuries in a wide range of countries, and with this much common ground it is not surprising that comparable social circumstances throw up similar views of corrupt practices, similarities that are sufficient to generate valid international comparisons of corruption.

Conclusion

Corruption, at its most general, is a deviation from a standard – physical, personal, social, political, cultural. Unsurprisingly, many standards have been defined whose violations were said to constitute corruption and undoubtedly more will be identified in the future.

The choice of the scope of a definition is necessarily pragmatic. The focus of the chapter has been on the misuse of a public function or the violation of a public duty. Extending the scope of corruption to the private sector reduces the chance of an agreement on the boundaries of corruption even more as the difficulties of determining its attributes mount. The concentration on the public sector is warranted furthermore because the public has a greater interest in public than private corruption.

How to define a misuse? There are only two plausible candidates, the public-interest and public-opinion standards. The public-interest approach suffers from the difficulty how to define the standard whose deviation constitutes misuse; operationability presupposes an agreement on the 'public interest', something which is unlikely to be forthcoming. The public-opinion standard on the other hand presumes some common understanding of corrupt practices. Contrary to what has been expected, there is a substantial body of evidence that such a common understanding exists.

This common understanding provides sufficient ground for meaningful international measures. It is based on violations of equity norms guiding the distribution of rights and duties of public functionaries and their subjects and it has a long history. The impartiality demanded of a judge is the archetypical example of such a norm, but misappropriation of resources, inappropriate influence on government decisions or nepotism have all traditionally been topics in the political discourse on the misuse of political power. In view of this shared tradition the common understanding of the concept of political corruption as misuse of public functions and of a substantive set of practices is hardly surprising.

Acknowledgement

Notes

1 To use Schumpeter's terminology (1976: 250).
2 The issue will be taken up when public-interest definitions are evaluated.
3 Largely because of its use by the World Bank.
4 This is not to say that the public may not suffer from private-to-private corruption. If a private hospital employee is induced by a bribe to buy medication without active ingredients, patients suffer. At the same time, where market forces operate, the owner of the hospital has a strong incentive to correct the abuse even without public intervention.
5 At least according to action theory that distinguishes 'action' from 'behaviour'. The latter includes reflexive actions, or more generally behaviour not involving intentions.
6 A point made, for example, by Nye (2002).
7 If the actors expect neither direct nor indirect gains, e.g., enhanced status, bonuses, or earlier promotion because of higher clear-up rates.
8 The agreement on a broad view of who performs a public function does obviously not imply an agreement on what constitutes corruption. Whether such an agreement exists is discussed later in the chapter.
9 The criticism does not deny, of course, that such proposals are important contributions to this process of contestation or norm creation.
10 As has been pointed out long ago by Heidenheimer in the precursor volumes to Heidenheimer and Johnston (2002).
11 What in a democratic context Thompson confusingly called 'institutional corruption', the illegitimate influence violating institutional norms that protect the democratic process (1995: 167).
12 For a discussion of this issue see Warren (2006).
13 Objective measures such as the exposure to extortion suffer from the same problem, in so far as the practices in the survey must be considered corrupt everywhere.
14 See, for example, Gardiner (1993: 32).
15 It was not uncommon to ask those who were involved in dubious practices to assess the morality of their action (Kurer 2005: 227–9).
16 As has been argued by Gardiner (1993: 33). On confounding the perception of corruption and corruption tolerance, see Chang and Kerr (2009: 5).
17 World Values Survey, Third Round, Question 201.
18 Rwanda (49.2 per cent), Zambia (40.3 per cent), Serbia (38.7 per cent), Malaysia (35.5 per cent), Thailand (28.3 per cent). When the stringency of the condemnation of the rejection is relaxed and the first three data points are added (1 to 3), only Serbia falls below 50 per cent.
19 There is no law of nature why endemic practices ought to be normatively sanctioned.
20 According to Sun, the notion of corruption 'extends to private behaviour of public officials, i.e. behaviour that violates moral conventions of society' as well as to harming society's interests even if, as in case of bureaucratic negligence, it does not lead to a private gain (2001: 248).
21 Considering, for example, the literature on 'dissipation' or, less Eurocentric, the norms regulating the spending of African tribal chiefs (Schapera 1956: 102).

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3

THE MEANING OF CORRUPTION IN DEMOCRACIES

Mark E. Warren

While not the worst of political pathologies, corruption is the one most likely to be found in democracies. Corruption is not as dangerous as war, nor as urgent as terrorism. Some have even argued that the little bit of corruption that comes with democracies makes them work better – by lowering transaction costs, reducing the inefficiencies of cumbersome rules and generally making things happen (Anechiarico and Jacobs 1996; see also Huntington 1968; Leys 1965). But, more recently, a strong consensus has emerged that political corruption is neither a benefit to democracy nor an insignificant irritant: it corrodes the norms, processes and mechanisms of democracy itself (deLeon 1993; della Porta and Vannucci 1999; Elster 1989: 263–72; Johnston 2005; Lessig 2011; Mungiu-Pippidi 2006; Rose-Ackerman 1999; Rothstein 2005; Thompson 1995; Warren 2004, 2006). By most measures, the world's democracies are the least corrupt regimes. But when democracies go bad, corruption (rather than oppression, violence, tyranny or related pathologies) is likely to be high on the list of problems, and citizens are likely to place corruption as high among their reasons for disaffection.

This chapter focuses on the question of what corruption means in a democracy. My aim is to map the conceptual and normative landscape that connects 'corruption' and 'democracy'. Within democratic political systems, I shall suggest, these are intrinsically connected concepts. What defines a practice, action, exchange or institution as 'corrupt' is a corrosion of some feature that enables 'democracy'. The institutions and practices that comprise 'democracy' set the standards in terms of which a practice, action, exchange or institution is defined as 'corrupt'. Or, put in still other terms, 'democracy' and 'corruption' are endogenous concepts: to identify 'corrupt' actions, practices or institutions is also to identify ways in which the actions, practices or institutions that comprise 'democracy' are failing – though, of course, corruption comprises only one set of ways in which democracy can fail.

I develop this understanding of corruption through two kinds of argument. The first is normative: 'democracy' is comprised of institutions and practices that enable inclusion, such that those who are potentially affected by collective decisions and actions have some influence over them. From the perspective of this democracy-defining norm, political corruption counts as a form of exclusion: corrupt actions, practices or institutions undermine the means through which inclusions are enabled, by breaking principal–agent relations between constituents and representatives, for example. In addition, democracies are highly susceptible to corruption just because their institutions are legitimised by high standards of inclusion.

Where democracies are consolidated, the standards intrinsic to democracy – standards that enable inclusion, such as equal opportunities for influence, publicity and impartiality – are widely shared and publicly affirmed, even (and often especially) by those engaged in corrupt practices. In contrast to particularistic, patronage-based or other non-democratic regimes, corruption is unjustifiable within the terms of the political culture and so, typically, involves duplicity. I shall thus conceive of corruption in a democracy as duplicitous exclusion – a conceptualisation that emphasises the close normative relationship between democracy and corruption.

The second argument is structural: modern democracies are comprised of highly differentiated systems of institutions and practices. All democracies accomplish the work of collective decision and action through differentiated mixes of executive agencies, legislatures, judiciaries, open public sphere discourse, civil-society organisations and market-oriented firms and enterprises. Each actualises 'inclusion' in ways that are distinctive to the domain: public trust, responsive representation, impartial adjudication, mutual persuasion, generalised trust and reciprocity and voluntary exchange. For this reason, corruption in a democracy is also domain differentiated: the exclusions it entails follow normative patterns that are distinctive to each domain, meaning that while 'corruption' can be defined as having a single normative core, its practical (and empirically situated) meanings will depend upon domain-specific institutions and practices of inclusion. Although the broad normative meaning of corruption in a democracy is duplicitous exclusion, there is no one 'problem' of corruption in a democracy: each domain requires a conceptualisation appropriate to the kind of corruption to which it is susceptible.

I develop these points as follows. In the first section, I offer some broad observations on the kinds of damage corruption effects in democracies. In the second, I suggest why our received conception of political corruption – the abuse of public office for private gain – inadequately captures the relationship between democracy and corruption. Third, I develop the concept of corruption in a democracy as duplicitous exclusion. Finally, I distinguish the domain-specific meanings of corruption within the differentiated institutions and spheres found in every functioning democracy.

Corrupting democracy

Consider an apparent paradox: corruption professionals count the developed democracies as among the cleanest in the world. But the publics in these countries often think otherwise. Of the cleanest thirty or so countries listed in the 2012 Corruption Perception Index, almost all are consolidated democracies located in Europe and North America (Transparency International 2012). Citizens in these countries will rarely if ever encounter a corrupt demand or transaction. In contrast, in those countries that populate the lower half of the list, corruption directly affects the everyday lives of citizens in ways both material and moral.

But ask Americans (or to a lesser extent, Canadians or Swedes) whether politics in their countries are 'corrupt', and chances are that the answer will be 'yes'. If we were to go on public opinion alone, we might judge these relatively clean democracies as among the most corrupt in the world (European Commission 2012: 106–8). US public-opinion surveys show that much of the public – often a majority – regards 'politics' and 'most politicians' as 'corrupt'. In 2008, 51 per cent responding to an American National Election Studies survey believed that 'quite a few' politicians are 'crooked' (American National Election Studies 2010).

Political scientists often view such findings as evidence of disaffection from politics generally, rather than any particular pathology that could be addressed through institutional

change, reform, transparency or other fixes. It is probably the case that clear, archetypal corruption of the kind represented by Rod Blagojevich (a former governor of Illinois impeached, removed from office and jailed for 'pay-to-play' corruption) and Jack Abramoff (a Washington lobbyist convicted of bribing US legislators) are probably no longer pervasive in the consolidated democracies, even though instances will most certainly continue to occur. But there is another possibility: when the public is saying 'crookedness', they are accusing inclusive (democratic) institutions of functioning exclusively, in the sense that powerful interests are too often able to bend the powers of government in ways that benefit a few and harm the many (Lessig 2011). There is another nuance in popular opinion as well that bears notice: the public pays close attention to the character of politicians, often even more than to their platforms. They focus on promises and commitments, steadiness rather than 'flip-flop-ping' and simple talk rather than sophisticated parsing – in a word, trustworthiness. There are many ways to read these kinds of judgements, but one way would be to say that the public understands something of the burden that democracy places on credible speech. When people accuse politicians of being 'corrupt', they often mean that they cannot be counted upon to follow through on what they promise publicly; that they say one thing but their decisions are responsive not to their constituents but to forms of influence that work in non-public ways – and which could not be justified were they to become public. So when people say 'corrup-tion', they may be pointing to exclusion of the kind that works though duplicity, in such a way that the currency of speech that connects votes to policy is corroded. Citizens may have unschooled views about how these forms of exclusion work, but they know that those who represent their interests are entitled to be at the table, while they sense that their interests are crowded out by more powerful interests, even as they are being promised otherwise.

From a normative perspective, these well-known characteristics of public opinion suggest that democracies are susceptible to corruption because their institutions are legitimised by the highest standards of any regime type and arguably the most difficult to engineer into political institutions. Thus, if democracies have affinities with corruption, this circumstance is the dark side of their virtues: corruption is a possibility only when polities set standards for themselves of the kind that can be corroded (Mungiu-Pippidi 2006). From a normative perspective, democracy means that people are included in those collective matters that affect them, that they have means to affect collective decisions, that institutions are impartial and fair with respect to the people affected by them, that decision-making is transparent and that it is possible for people to find, understand and contribute to the reasoning that justifies them. Democracies achieve these inclusions by distributing powers broadly to those affected and by defining the rules under which conflict is conducted. They empower collective actions by settling public purposes into institutions defined by their service to these purposes. Above all, democracies are defined by the public nature of collective decisions and actions: decisions gain their legitimacy from public reasoning, negotiations and bargains. They do so in ways that even those who lose their battles view political processes as legitimate and believe they can fight another battle, another day, using the resources that democracies distribute to the people: the powers to argue and persuade and the powers of the vote. Democracies depend upon people's confidence in the rules that regulate conflict and their trust in institutions that, in the meantime, distribute entitlements and protections fairly and impartially.

'Corruption' is not the only way a democracy can fail these standards and resources that are constitutive of its institutions. But it does name an important set of ways. Corruption undermines the powers of voting and speaking that people can use to influence collective decisions – the very powers that define democracy. It removes public contestation into non-public channels of influence. It redirects the powers and resources of public agencies into

instruments of partial, particular or private benefit. State powers of regulation are bent to advantage actors with influence. Corruption creates inefficiencies in deliveries of public services, not only in the form of a 'tax' on public expenditures but by shifting public activities towards those sectors in which it is possible for those engaged in corrupt exchanges to benefit. When public officials put prices on routine government transactions and services, then universal inclusions are transformed into particularistic transactions. Moreover, corruption undermines the culture of democracy. When people lose confidence that public decisions are taken for reasons that are publicly available and justifiable, they often become cynical about public speech and deliberation. People come to expect duplicity in public speech, and the expectation tarnishes all public officials, whether or not they are corrupt. And when people are mistrustful of government, they are also cynical about their own capacities to act on public goods and purposes and will prefer to attend to narrow domains of self-interest they can control. Corruption in this way diminishes the horizons of collective actions and in so doing shrinks the domain of democracy.

In a democracy, corruption involves a large variety of damages of these kinds. But we can also view each of these damages as following from harms to the resources that are constitutive of democratic institutions. Corruption harms democratic processes by undermining the democratic powers of speaking and voting, injecting partial treatment into impartial institutions and by eroding confidence in political institutions and trust in public agents. Each involves exclusions of those with claims to inclusion. Corruption diminishes the impact of voting by breaking the principal–agent relations essential to democratic representation. It reduces the public influence of voice and deliberation and corrodes the currencies of promises. It undermines the distributions of powers available to everyone – voice and votes – in favour of unequally distributed resources, particularly money but also other means of access to power and influence. And it undermines the public purposes and capacities of government to act on behalf of the people. In short, corruption in a democracy is a form of exclusion. And it is a form based on duplicity: public acknowledgement of the norms that comprise a democracy combined with non-public circumvention of these norms.

Limits of the 'public office' conception of corruption

Despite these now widely recognised harms to democracy, we lack a conception of political corruption that encompasses them. Our received conception of political corruption – the abuse of public office for private gain – has been outgrown by contemporary democracies and the meanings of corruption that have followed in their wake. This conception of political corruption has two important but limiting features. First, the concept is essentially administrative: 'public' means 'state', and 'state' tends to mean administrative agencies. This conceptual lens reflects the origins of the concept in projects of state-building – in particular, the professionalising and rationalising bureaucracies into civil services (Friedrich 1989). The concept places a high premium on precisely defined duties of office since these provide norms of accountability. Importantly, this conception presumes not just high-capacity states but also states with standards of public service that can be violated (Mungiu-Pippidi 2006). Second, the concept builds on the insight that institutions can be better than the individuals who constitute them. James Madison, the first to fully appreciate this point, understood that the interests of public officials could be aligned with public good by designing institutions that divide and share decision-making powers, thus providing officials with the motives and capacities to check and expose conspiracies against the public interest (Madison et al. 1987, no. 51). Robert Klitgaard's (1988) elegant formula,

Corruption = Monopoly + Discretion − Accountability, captures these two insights perfectly, relating office-based accountability to distribution of powers.

Because of these insights, our received concept of political corruption has been of enormous practical importance to institutional design within the contexts of high-capacity states. Importantly, it focuses on the norms and duties of public office, in this way defining standards to which public officials can be held to account. And the conception has helped us to think carefully and productively about how to design institutions so that public officials have incentives to live up to the norms that define their offices.

But the office-based conception of corruption is also an artefact of the problems of administrative institution builders. We are still administrative institution builders – now perhaps more than ever. But the office-based conception does little to identify and clarify common intuitions into the corruption of democratic institutions and practices. The key problem is that it presupposes the substantive norms that define public offices, thus begging the question as to how these norms are themselves constituted by political processes. That is, the basic framework is administrative rather than political, in such a way that questions about the integrity of political processes are imprecisely framed – democratic political processes in particular. Stated otherwise, the office-based concept is not political enough. And, not being political enough, it lacks sensitivity to the kinds of corruption that plague democracies – the most political of all regime types.

There are at least five reasons the office-based conception of corruption comes up short in this respect. First, the office-based concept of corruption provides little grip on the norm-creating processes that are at the heart of democratic politics. It is unique to democracy – in particular, its deliberative aspects – that political conflict is regulated by the norms of openness, publicity and inclusion, which issue in public purposes backed by public agencies. The office-based lens focuses on the institutional results of democratic processes – that is, administrative agencies with public purposes. However, it is a poor guide to the question of what it would mean for the processes through which public purposes are created to be corrupted, in spite of the fact that common sense says that a good share of the corruption within democracies can be found here, in, for example, regulatory regimes that favour those interests with access to policy-makers (Johnston 2005, Chapter 4; Lessig 2011).

Second, and closely related, the administrative orientation of our received conception provides little guidance for the duties of political office (Thompson 1995; Warren 2006). Administrative officials fulfil their offices by holding a public trust and acting impartially in the public interest, ideally insulated from political pressures. The role of democratic representatives is, however, to define the public interest, by responding to political pressures. Partiality, legislators remind us, is part of their job. So why should we think it corrupt if they provide access to their constituents and supporters? We will need a concept of political corruption that is attuned to the kinds of public offices that require political creativity and responsiveness to citizens, since these offices are the heart of democratic institutions. Such a concept must make it clear that political corruption has to do with forms of responsiveness that are exclusive and non-public. Closely related, citizens should not necessarily trust legislators to represent their interests, since trust is misplaced in any context in which there are conflicting interests. But they should be able to trust the rules and procedures under which conflict is conducted, such that they have confidence that their opinions register and enter into compromises and that the reasons for decisions are public for all to see (Thompson 1993, 1995; Warren 2006).

Third, one strength of our received conception is that it is rule based. Because it focuses on defined public offices, it allows an even-handed application of norms and standards to the

behaviour of individuals. But this is also its weakness. There are limits to what rules can encompass, especially when officials' tasks require creativity, as do many bureaucratic positions and all political positions. Rule-based approaches to controlling corruption tend towards rigidity – and, when combined with policing, tend to devalue integrity and professionalism. At the limit, rule-based approaches can undermine democracy by hamstringing the capacities of officials to act as responsive, efficient and creative agents of the people (Anechiarico and Jacobs 1996). Ideally, institutions should reward integrity over rule-following, a quality that people almost always seek in their elected representatives, not just because they do not trust any set of rules to generate the intangibles of integrity but also because they know that, in fact, no amount of oversight can remove the temptations of abuse of power nor reach the intangibles of public service and responsiveness.

Fourth, and closely related, the office-based conception is a poor conceptual tool for identifying corrupt institutions and cultures, just because its normative leverage works by comparing individual conduct to duties of office. In environments in which whole institutional cultures undermine public duties, the office-based conception has less to offer. Some kinds of institutional incentives are downward-levelling – as in the constant race for campaign money in the US Congress – such that the norms support corruption, even against the public (and democratic) purposes of the institution (della Porta and Vannucci 1999; Lessig 2011). For individual office-holders, these contexts can operate as social traps: individuals who break with the downward-levelling norms are punished through exclusion from networks, by failures to raise campaign money sufficient for re-election, and by peers (Rothstein 2005; Mungiu-Pippidi 2006).

Fifth, our received conception of corruption misses a particular kind of integrity central to democratic representation. Under our office-based conception, integrity means that an official's behaviour reflects the norms of her office. While this approach makes perfect sense in bureaucratic arenas, it is less meaningful in the more political arenas, where expectations for representation are less settled and understood. It is clear, however, that the integrity of democratic representation is established, in large part, through promises: a representative has integrity when his decisions and actions reflect the speech that justifies them. Duplicitous speech corrupts the currency of promises and justifications that is the life-blood of democracy. But while we use this notion of corruption in public conversation, it is not encompassed by our received conception.

Democratic norms: political corruption as duplicitous exclusion

We need a conception of political corruption that draws it closer to the problems of democracy. I suggest that we do so by asking a simple question: what does it mean to corrupt a democratic process? To answer, we will need to identify the basic good, or norm, that is subject to corruption. Democratic theorists increasingly converge on the norm that every individual potentially affected by a collective decision should have an opportunity to affect the decision, proportionally to his or her stake in the outcome. We can, of course, refine this norm for differing institutions, issues, levels of aggregation and the like. The point here, however, is a simple one: political corruption undermines democracy because it amounts to excluding people from decisions that affect them. The very logic of corruption involves exclusion: the corrupt use their control over resources to achieve gains at the expense of those excluded. They do so by working around, under or against the institutions that achieve inclusions.

Although every form of corruption of democracy involves exclusion, not every form of exclusion is corrupt. A regime may be exclusive, and the exclusions may produce the most despicable evils. And where an exclusive elite simply holds to different norms than the broader public, however odious, we would not usually say that they are 'corrupt'. They have not departed from, violated or undermined public norms, for to speak in this way is to assume that they recognise these norms. As Mungiu-Pippidi (2006) incisively notes, corruption comes with democracy, particularly its early stages, in part because of spreading norms of universal inclusion. Corruption in a democracy is not about normative disagreement fought out in public but rather a corrosion of public norms of inclusion that define a regime as a democracy.

Another distinctive characteristic of corruption in democracies follows: corruption involves hypocrisy. For an elite (or group or individual) to be corrupt in the democratic sense, it must both profess and violate the democratic norm of inclusion. Thus, in a democracy, corrupt exclusion is distinguished by duplicity, a characteristic that implies not just the possibility of condemnation but also the possibility of immanent critique: the corrupt can be called to account by their own standards. Corruption of democracy is about influences that work out of the public eye and function to exclude those who have rightful claims to inclusion – claims that are constitutive of a regime as a democracy. The very covertness of corruption pays tribute to the violated norms.

Finally, political corruption normally benefits those included within a relationship and harms those who are excluded. While the gains of corruption are often easily identifiable, harms to specific goods are often more difficult to detect: environments are marginally degraded, governments are less efficient, their officials less competent, buildings somewhat less safe, consumer products a bit more expensive and opportunities less equal. But the harms to democratic processes are more straightforward: it is the fact of exclusion and the duplicity of justification that corrupts democracy, whether or not specific harms can be identified. What is corrupted are the political processes and institutions that would, ideally, expose and limit potential harms by including those affected in the decisions that affect them.

In sum, corruption of democracy is a violation of the norm of empowered inclusion of all affected. More precisely: (1) Corruption involves unjustifiable exclusion, measured against public norms that define a regime as 'democratic'. In addition, two other conditions are necessary. (2) A duplicity condition with regard to the norm of inclusion: the excluded have a claim to inclusion that is both recognised and violated by the corrupt. (3) A benefit/harm condition with regard to the consequences of exclusion: the exclusion normally benefits those included within a relationship and harms at least some of those excluded. Together, (1), (2) and (3) define the form of corruption that is specific to democracy.

Domain differentiated meanings of political corruption

While these normative features of corruption as duplicitous exclusion are relatively simple, a systematic application of the concept is more complex. Even idealised and simplified contemporary 'democracies' are not reducible to one institution or even a few. Elections, for example, can coexist with patron–client relations to solidify soft forms of authoritarianism. Democratic inclusions are effected though complex institutional and social ecologies that include constitutional states (differentiated into legislative, administrative and judicial functions); robust public spheres of opinion formation from which collective decisions and actions draw their legitimacy; civil societies that cultivate citizen capacities and form alternative venues of collective action; and market economies, which are correlated with, but

Table 3.1 Differentiating domains and kinds of corruption

Domains of inclusion	Executive	Judicial	Legislative	Public sphere	Civil society	Markets
Norms of inclusion by domain	Public trust	Equal standing and protection; impartiality	Responsive representation	Mutual persuasion	Generalised trust and reciprocity	Fair and voluntary exchange under conditions of full information
Kinds of corruption	Abuse of public office for private gain	Rights, truth and fairness–seeking processes undermined by power or money	Responsiveness to money or power in ways that could not be publicly justified	Duplicity, deception, dissimulation	Particularised trust leveraged for group gains	Rent-seeking enabled by market and information constraints
Damage to democratic inclusions	Loss of collective agency	Eroded rights	Failed representation	Failed public deliberation	Loss of social capital	Unfair distribution; distorted or dampened investment

ambivalently related to, democratic institutions. Each domain potentially contributes to democracy, and each has modes of corruption associated with its democratic potentials.

To understand how corruption as duplicitous exclusion might apply to varied institutions, then, we would need to ask what is the mode of inclusion – that is, the democratic function – of the institution that might be harmed by corruption? We can then relate corruption to democracy through the modes of harm specific to each institution. What would it mean to corrupt each function? Table 3.1 summarises some answers.

Executive agencies

The office-based conception of corruption is most at home in executive agencies. From the perspective of democracy, the executive branch of the state is not the only location of collective agency, but it is often the ultimate location, owing to the state's monopoly over legitimate means of coercion. In a democracy, a people's confidence in its executive is a confidence that it can act in response to collective problems. Thus, ideally, the mode of inclusion in executive functions is based on a public trust – a trust that officials will abide by the goals and rules that have been legitimately decided within the more political of domains (Warren 2006). The notion that corruption involves violating a public trust (as in the office-based conception) is thus most applicable to executive offices and functions. What is corrupted is government as the trustee and executor of collective purposes. Democracy is undermined when people lack a collective agent they can trust to execute collective decisions. There are also indirect harms to democracy: corruption not only leads to inefficient and ineffective government (della Porta and Vannucci 1999: 256–8; Rose-Ackerman 1999: 9–26), but also produces an atmosphere that is arbitrary, permeated by differential treatment. Under such

circumstances, individuals lack the securities necessary for association, pressure, voice and other modes of citizen participation that underwrite democracy. An atmosphere in which even everyday acts of democratic participation require heroism can induce or reinforce passivity and distrust among citizens.

Judiciaries

Democracy depends upon public procedures that have the force of law, combined with the rights and securities that enable individuals to use these procedures by voting, speaking, organising and pressuring. The democratic norm of inclusion thus depends upon judicial institutions that provide actionable civil rights and liberties, equal standing, equal protection, access to counsel, impartial prosecutors. Democracy also depends upon judicial oversight of executive-branch police functions. The importance of this kind of judicial system to democracy is not just institutional but also psychological: knowable securities, equally distributed, are necessary for a confident and active citizenry.

Less noticeable but equally important is that judiciaries are microcosms of talk-based political processes – precisely the feature of democratic institutions that makes them superior to other modes of conflict resolution. As custodians of law, judicial institutions ideally function to ensure that it is applied with fairness and equity. But because cases are brought where there are conflicting interests and uncertainty about what constitutes fairness and equity, the norms of judicial institutions are procedural rather than substantive. Thus, the objects of corruption in judicial systems are not first-order norms of settled purposes as with executive functions but rather second-order procedural norms of fairness and impartiality that support deliberative processes. The integrity of the process involves a confidence that, when the truth is unknown and the demands of fairness and equity ambiguous, argumentation and advocacy are the best ways of approximating true, fair and equitable outcomes. Thus, it is not the outcomes (truth, fairness, equity) that are subject to corruption in any immediate sense but rather the processes through which they are achieved. The process is corrupted, and exclusions effected, when motivations for gain other than those of winning the argument enter the process – as when jurors are bribed, lawyers have conflicts of interests or judges seek political or ideological gains. The harm to democracy is that the rule of law becomes less certain, excluding citizens from the legal rights, protections and securities to which they are entitled. There are also broader process exclusions: when arguments no longer carry the burden for determining truth, fairness and equity, judicial decisions become illegitimate, which in turn corrodes not only the culture of law but also the democratic ideal that conflicts are best settled by talk structured by procedures that are fair and impartial, open to all affected.

Legislatures

This feature of judicial institutions – their reliance on argument in the face of conflict – also defines the integrity of democratic legislatures, although without the same process constraints. The legislative domain is highly political, of course, in the sense that it often works at the limits of consensus about collective decisions. But, much like the judiciary, its norms of inclusion are second-order – those of process. Citizens are included in this domain through their votes for representatives in competitive elections, as well as through communications and deliberations enabled by political associations, letter-writing, demonstrations and other ways of conveying opinions and interests to representatives. The objects of corruption are, therefore, these representative linkages that enable democratic inclusions.

The most familiar form of corruption of representation is the buying and selling of votes in elections as well as influence peddling in legislative drafting and voting processes. But these are not the only objects of corruption. The legitimacy of outcomes depends upon justifications that result from transparent deliberative processes. Thus, the deliberative dimension of representation should be more actively inclusive even than voting: even those who lose can try to persuade their representatives or mobilise debates in the public domain through which they hope to influence their representative – if not directly through persuasion then indirectly by changing the minds of those likely to vote in the next election.

The more elusive dimensions of legislative corruption, then, have to do with inclusion in deliberation – elusive because, in contrast to the bureaucrat's performance-based duties of office, a representative's key role is to create agreements in the face of conflicts over goals. So whatever trust constituents place in them cannot be based on outcomes: no representative can deliver, not least because even under the best of circumstances outcomes will reflect a mix of competing interests and voices. Rather, trust in a representative is well placed when the reasons he gives for a position are, in fact, the reasons that motivate his vote, bargain or compromise. Citizens should be able to trust that representatives' decisions are not the result of undue attentiveness to those who have bought access through their campaign contributions. In a democracy, policy-making ought to be a public process and, under conditions of representation, can only be a public process if citizens can have confidence not just that the deliberative process is inclusive but also that votes are motivated by the reasons that emerge from the process (Thompson 1995: 126–9; Warren 2006; see also Stark 2000: 230–2). Legislative norms should therefore reflect not just the integrity of voting but also the integrity of inclusive deliberation.

The office-based conception of corruption, however, biases solutions towards insulating representatives from political influence. If we understand corruption as duplicitous exclusion causes us to ask different questions. How are the influences distributed? Are there any who have claims for inclusion but who are cut out by the differential access of those who have more influence? Is the representative responding to money rather than facts and arguments? Is the representative carrying out deliberations covertly or in public? If negotiations are sheltered from public scrutiny, as they sometimes must be in cases of especially difficult or strategic issues, are the resulting compromises and decisions publicly justifiable? These questions go to the nature of the influences to which a representative responds: are they inclusive or exclusive? Are legislators dependent upon those with power and money in ways that produce partial (and therefore exclusive) forms of responsiveness (Lessig 2011)? The distinctive marks of corruption in the legislative domain are those that contravene inclusive public deliberation and justification, namely, secrecy in decision-making and duplicity in speech. 'Secrecy' does not have to involve closed doors and secret deals; in complex pieces of legislation, it can be functional. In the USA, a common tactic is that provisions or earmarks for special interests are slipped into huge omnibus bills at stages in which they are unlikely to be noticed. The harms to democracy are direct and extensive: corruption of this sort severs representative linkages, breaks the relationship between deliberation and decision-making and undermines the creative elements of democratic conflict resolution (Johnston 2005).

Public spheres

Democracies depend upon deliberative processes, broadly understood, that form the people's will in a way that is autonomous from state and market powers so that the people might be

said to guide collective decisions (Habermas 1996: Chapters 7–8). In a democracy, public opinion should not just guide, limit and legitimate the state but also stand vigilant over the accumulated powers of businesses and other organisations.

Whatever influence the public sphere has, it exerts by means of symbolic and discursive forces: through images, narratives and symbols that portray lives and emotions, through collective interpretations of facts and through deliberations about right and wrong. These elements of public discourse enable people to form conceptions of their interests and values and to connect them to their political actions. For these reasons, inclusion in the public sphere is necessary for all other democratic forms of inclusion. From a democratic perspective, the integrity of the public sphere depends upon including all affected by collective matters by providing individuals and groups with the opportunities and spaces to argue and persuade – that is, to exert 'discursive force'. What counts as corruption of public spheres does not, then, refer to corruption of rightness or truth. Politics is, in part, constituted by disagreements about what counts as right or true. What matters, rather, are deliberative processes: they have integrity when people can make claims to rightness and truth, and hope to motivate others with their claims in ways that are not reducible to the interests of power or money (Habermas 1987). From the perspective of motivations, speech is corrupt not when it is wrong or untrue but when it is strategically duplicitous – manipulative – intended to deflect, dissimulate, distract or otherwise obscure the claims of those who speak, in order to secure gains that could not be justified to those who pay for them or are otherwise affected. A common example of this kind of corruption would be research vetted by its sponsors but reported as peer-reviewed – as having been tested through an appropriate deliberative process (Lessig 2011). As this example suggests, institutions that support the public sphere – universities, research bodies and media organisations – have professional codes of conduct that protect the integrity of their reporting and results and which can be breached in ways that corrode the democratic functions of the public sphere.

Civil society

With respect to the domain of civil society, democracy does best where it is constituted by horizontally structured groups, a certain proportion of which bridge social cleavages (cf. Putnam 2000: 336–49; Warren 2001: Chapter 7). 'Civil society' is the domain of associations built from common values and shared goals that provide individuals with means for representation and voice, with alternatives to state-centred collective action and resources for resistance and counter-hegemony. Civil society lends its force to democracy, on average, when its associational structure is built out of generalised trust and reciprocity (Warren 2001; Uslaner 2008). But civil societies that build on 'particularized trust' – trust that extends only to members of families, clans and known individuals – tends to undermine democracy, just because it relates exclusive forms of association to control over resources of money and power. Masonic lodges in Italy, one of the exclusive social venues that supported Italian political corruption, exemplified these conditions (della Porta and Vannucci 1999: 165–70). These relationships will tend to corrupt democracy when the overall weight of particularised trust and reciprocity cause people to form purely exclusive social attachments without more general attachments to compensate. This meaning of corruption comes close to that often found in ancient political theory: Thucydides and Aristotle, for example, held that in a corrupt society

> each part pretends to be the whole; each interest to be the common one; each faction to make its view and voice exclusive. Under such circumstances the common good

is seen (and so comes to be) a ruse for fools and dreamers while the political arena is a place where factions, like gladiators, fight to the death.

(Euben 1989: 223)

This ancient conception resonates with contemporary literatures that find, variously, that societies high in generalised trust have low levels of official corruption (Uslaner 2008), that mistrustful and anomic societies provide conditions for official corruption (Banfield 1958; Rose-Ackerman 2001) and that societies high in social capital are more democratic in their governance (Putnam 1993, 2000; Lin 2001). The harms to democracy of a corrupt civil society are extensive, including loss of capacity for non-state collective action, loss of capacity for disciplining and guiding the state and loss of generative capacities of democracy in favour of a zero-sum game between competing and mutually suspicious groups.

Markets

Last but not least, in the developed democracies corruption has a distinctive meaning in relation to market capitalism. To the extent that a democracy 'chooses' to organise collective actions through markets, it also assumes that economic 'inclusion' should operate through voluntary exchange within the context of full information. 'Corruption' in this domain amounts to exclusion through rent-seeking and occurs when actors use the powers of the state to limit or monopolise exchange or to alter the workings of markets in their favour. This sense of corruption is endemic to the differentiation between economic and political power that defines liberal democracy since it creates incentives for wealthy actors to buy the resources they do not control: the assent, protection and assistance of government (Scott 1972: 28–34; Rose-Ackerman 1999). Powerful actors are motivated to penetrate government wherever possible, if not to gain privileged access to government contracts, then – and more commonly in the developed democracies – to affect the rules of competition in ways favourable to them (Johnston 2005: Chapter 4; Lessig 2011). Moreover, when a market exists for their cooperation with economic actors, public officials have incentives for corrupt exclusion: they can use the rules and regulations they control to create bottlenecks that increase the price of their services to the wealthy (Johnston 1982: 20–3; deLeon 1993: 28). The harms of market-induced corruption to democracy are clear and well documented: when rights of influence and access are for sale, the effective powers of democratic influence are undermined. And when agents of the state sell their regulatory and monopoly powers, they use the powers that belong to the people to enhance the powers of economic elites. Not only is the key collective agent of democracy, the state, corrupted, but so also are the very collective rules, underwritten by state powers, that enable markets to function.

Conclusion

By developing the conceptual connection between democratic theory and the concept of corruption, we can make sense of the diffusion of meanings of corruption within today's democracies. We can do so in a way that identifies a common normative core – norms of inclusion and exclusion – while encompassing the diversity of ways in which corruption can undermine the wide variety of institutions that make democracies work. There is a practical payoff as well: by detailing the close relationships between democratic institutions and their corruption, we can also see that addressing corruption should not be – indeed, cannot be – separated from the project of strengthening democratic institutions and practices.

Acknowledgements

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4

THE CONTRADICTIONS OF CORRUPTION IN NIGERIA

Daniel Jordan Smith

Introduction

Nigeria is a country notorious for corruption. Many economic, political and social problems are blamed on corruption, by international observers and by Nigerians themselves. But despite the almost universal perception that it is a problem, Nigerians' understandings of what counts as corruption are sometimes quite different than the common Western views as they are defined in political science and manifested in donor-supported anti-corruption initiatives. Further, Nigerians themselves often embrace contradictory views, in some moments seeming to subscribe to the Western/donor perspective and at other times appearing to mean something contrary.

Based on ethnographic research in south-eastern Nigeria, this chapter explores how competing understandings of corruption in Nigeria reveal ongoing transformations in political culture. Profound changes are occurring in Nigeria in relationships of inequality and the moral economy that mediates them. Using examples from Nigerians' everyday lives, I argue that the apparently contradictory discourses and practices vis-à-vis corruption are windows onto these dynamics of social change. People are embracing new expectations about accountability associated with a modern bureaucratic state even as they lament and struggle to slow the demise of forms of sociality and accountability linked to kinship and patron-clientism. Ultimately, what Nigerians mean by corruption is explained by its connections to power, inequality and social relationships. More than simply offering another society's definition of corruption, an ethnographic account suggests how understanding local experiences of corruption can point us to what really matters for the people who are affected.

The examples in this chapter come from south-eastern Nigeria – the Igbo-speaking region. However, the kinds of everyday corruption that I describe are not unique to the Igbo or to the south-east. Indeed, part of my argument is that corruption and the discourses that it produces are central to the way that Nigerians – and arguably people in many post-colonial contexts – experience and understand the relationship between state and society. The contradictions of corruption both mirror and explain people's growing expectations of and frustrated aspirations for democracy and development.

Corruption in context

Throughout the 1990s, the community of Amibo struggled to be connected to Nigeria's national electricity grid. Many families in Amibo had wired their houses for electricity over the prior decade, and the community had contributed money to erect poles to induce the National Electric Power Authority (NEPA) to extend service. Numerous village delegations had been sent to the NEPA and to a series of military administrators and civilian governors. On each visit, these delegations deposited money with state officials as an incentive to mobilise assistance. Yet electricity was never provided. Community frustration contributed to accusations of corruption targeted at the government but also directed inward. Politicians and bureaucrats who had collected the community's money were condemned for their venality. But many villagers who had contributed funds as part of collectively imposed levies suspected that perhaps their own kin had pocketed some of the community money, leaving too little for the payoffs to government and NEPA officials. When asked where he thought the problem really lay, a friend of mine said, 'Who can tell? In any case, it is "the Nigerian factor." ' Ordinary citizens frequently describe corruption with this phrase, which indicates the perceived prevalence and intractability of the problem. Suspicions of corruption span the social spectrum, potentially implicating not only elite politicians but also kinsmen in village communities.

In his trenchant book, *The Trouble with Nigeria*, Chinua Achebe notes Nigerians' penchant for complaining: 'Whenever two Nigerians meet, their conversation will sooner or later slide into a litany of our national deficiencies' (Achebe 1983: 2). Achebe laments that this national inclination is a sign of resignation and says that his book aims to challenge such complacency. Corruption is, indeed, so prevalent in Nigeria that ordinary citizens experience and express some degree of resignation. The very expression 'the Nigerian factor' suggests that Nigerians have concluded that corruption is endemic; it defines the nation. Yet resignation is only one of the meanings behind Nigerian narratives of complaint. Even as Nigerians feel resigned, enticed, trapped and compelled to participate in their country's ubiquitous corruption, they also feel angry, frustrated, dismayed and betrayed.

Popular anger about corruption is common not only in Nigeria but across Africa, as it is in many regions around the globe. In an excellent analysis of the dynamics of corruption across sub-Saharan Africa, J. P. Olivier de Sardan notes the extent of African discontent about corruption: 'At the everyday level, there is scarcely a conversation without hostile or disgusted references to corruption' (1999: 29). In many ways, corruption has become the dominant discourse of complaint in the post-colonial world, symbolising people's disappointments with democracy and development and their frustrations with continued social inequality. Yet, even as they feel anger and discontent, ordinary Nigerians participate in forms of corruption that perpetuate their victimisation.

To understand the motives that underlie 'corrupt behaviour', it is essential to recognise that self-interest in Nigerian society (and in other African contexts) is intertwined with group interests and group identity. Rather than attributing these complex interconnections to some sort of primordial culture and therefore assuming that processes of modernisation will weaken such ties, I suggest that the salience of the reciprocal obligations of kinship and other clientelistic ties may be growing at the same time as Nigerians negotiate processes of development, rural–urban migration and democratisation within a context of pronounced political and economic instability. In such an environment, ordinary people perceive participation in corrupt activities as necessary to achieve their moral, political and economic objectives, even as they simultaneously recognise corruption's detrimental effects.

Nigeria's social context is central not only to explaining when and why Nigerians participate in corruption but also to understanding what kinds of corruption are acceptable and what kinds produce the popular discontent that fuels many contemporary social phenomena. Over the past few decades, new forms of corruption have emerged that Nigerians widely view as illegitimate. This illegitimacy is most pronounced where Nigerians feel deceived by the post-colonial state's failure to deliver the expected benefits of development and democracy at the same time that more traditional mechanisms of patron-clientism are perceived to be breaking down. In other words, as elites manipulate the intertwining of bureaucratic officialdom and kinship-based clientelism to maximise their wealth and power, the legitimacy of modes of practice associated with each is undermined.

A patron–client system has long served as a buffer against the state's capriciousness by providing access to resources through familiar mechanisms of reciprocity. This system is widely perceived by ordinary Nigerians to have given way to a much more individualistic pursuit of wealth and power. The use of deceptive mechanisms for corruption has diffused throughout society, creating a popular sense of crisis about social morality, wherein Nigerians see the repercussions of corruption in everyday life as both caused by and contributing to the demise of morality. The perception that corruption is rooted in social amorality obscures the political and economic underpinnings of inequality, arguably protecting the most detrimental forms of corruption.

Corruption and political culture

In 2002, I was travelling on public transportation with an American student who had just arrived in Nigeria. As we approached a police checkpoint on the road from Port Harcourt to Owerri, the minibus slowed. Several vehicles had stopped ahead of us. A man behind me muttered 'thieves', referring to the heavily armed policemen who blocked our way. When the vehicle ahead of us seemed to have been stopped for more than the usual few seconds, a woman on our bus said audibly, 'Give them something so we can pass now, ahhh!' As we reached the head of the queue, our driver handed a policeman a banknote in a somewhat furtive manner, and we were again on our way. I had seen the transaction so many times over the years that I hardly noticed. But as soon as we had passed the checkpoint, my student asked in a whisper, 'If everyone knows exactly what is happening, why do the driver and the policeman half-heartedly try to conceal it?' In retrospect, this question and the events that preceded it raised important issues about the relationship between ordinary citizens, corruption and the state.

The half-concealed levy paid to a policeman at a roadside checkpoint represents an example of a recent transformation in Nigeria's political economy of patron-clientism that characterises Nigerian citizens' relationship to their post-colonial state. In traditional systems of patronage, or at least as Nigerians romanticise them, exchanges between elites and common people were based on reciprocity and a sense of mutual obligation. Inequality was tempered by a moral economy in which the links between the haves and have-nots created mechanisms for accountability. In contemporary Nigeria, people of all social strata continue to navigate political and economic insecurity and inequality by relying on social networks of patronage that are rooted in such a system of reciprocity whereby ties based on kinship, community of origin and other associations provide access to the resources of the state. However, many Nigerians believe that elites have hijacked the patronage system and perverted it to serve their own interests. The Nigerian state's alternative mode of accountability, which is based on a social contract between the government and its people, is equally perceived by Nigeria's

citizens as corrupt. Policemen collecting half-concealed bribes at ubiquitous checkpoints symbolise the thinly veiled manipulation of state power to perpetrate corruption. The integration of a system of patronage with the façades of bureaucracy and officialdom produced by the post-colonial state facilitates the pervasive corruption and associated inequalities in Nigeria. J. F. Bayart has suggested that '[t]he postcolonial state thus represents an historical mutation of African societies, taken over the long term: never before, it seems, has the dominant class managed to acquire such marked economic supremacy over its subjects' (1993: 87).

The conventional wisdom in Western society, exemplified in many donor-sponsored programmes to promote democracy and 'good governance' in Africa, opposes the realms of modern neo-liberal democracy and traditional systems of kinship and patron-clientism. But, in Nigeria, elites and ordinary citizens live simultaneously in both worlds. Indeed, although observers and analysts frequently make sense of this complexity by contrasting the two systems or by describing Africans as 'straddling' multiple social worlds (Ekeh 1975; Bayart 1993), for most Nigerians these contrasting systems are experienced as one reality. The Nigerian state is simultaneously a neo-liberal institution claiming the full range of powers and responsibilities that are typical of modern nation-states and a prize to be captured and shared according to the principles of patronage (Joseph 1987; Nelson 1996).

The role that ordinary citizens play in the social reproduction of corruption, even as the vast majority is acutely aware that the system disproportionately benefits a few at the expense of the many, is inherent in a political economy of patronage. Elite politicians, government officials and economic moguls – federal ministers, state governors, Nigerian National Petroleum Corporation managers, major construction and petroleum industry contractors, etc. – commonly reap many millions of dollars through corrupt acts. However, people at varying levels of society take advantage of inequality to benefit from corruption. It is almost a cliché that in African societies everyone is a patron to a lesser person and a client to a more powerful person (d'Azevedo 1962). As Olivier de Sardan notes, 'Woe betide the man who knows no one, either directly or indirectly' (1999: 41).

In a country where the World Bank estimates that more than half of the population lives below the poverty line, most people do not benefit substantially from either the formal mechanisms of government or the more informal networks of patronage that constitute a significant proportion of the everyday political economy. But even ordinary citizens have daily experiences with corruption in their efforts to forge better lives for themselves and their families, as they confront and participate in forms of corruption in schools, hospitals and a wide range of other efforts to obtain basic resources and services from the state. At the same time that Nigerians aspire to a modern lifestyle, they become increasingly caught up in corruption. While millions of poor Nigerians are largely excluded from the struggle for wealth and power that occurs at the nexus between the state and the networks of patronage that vie to control it, even the poor are aware that it is through these social connections, and increasingly through corruption, that people access the state's resources and those of the national economy.

For Nigerians, the state and corruption are synonymous. Because they must navigate – indeed, participate in – corruption if they are to achieve even their most mundane and reasonable aspirations, most Nigerians realise that what Bayart describes regarding African post-colonial states more generally is particularly true in Africa's giant: 'It would be an error to see all these dealings simply as the corruption of the State. They are, conversely, the State's fabric' (1993: 89). In Nigeria's petroleum-dominated political economy of patron-clientism, where corruption rules, it makes sense that 'strategies adopted by the great majority of the

population for survival are identical to the ones adopted by the leaders to accumulate wealth and power' (Bayart 1993: 237).

Forms of corruption

Defining corruption is difficult and has occupied a good deal of space in the social-sciences literature, particularly in political science (Heidenheimer 1970). Most political-science defin-itions include the state and typically emphasise the misuse of public office for private gain. For example, Nye's classic definition is widely cited: 'Corruption is behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain private-regarding influence' (1967: 419). In formulating his definition, Nye recognised that corrup-tion also has much broader moral meanings: 'a change from good to bad' (1967: 419). But these vague and less technical aspects have mostly been ignored in political science. For political scientists who look at state corruption, Nye's strict definition and its many subsequent variants, which sidestep many issues of morality that complicate a statecentric perspective, provide a parsimony that facilitates an appealing clarity.

As an anthropologist who looks at corruption ethnographically, from the bottom up, such parsimonious definitions obscure as much as they reveal. In Nigeria, the question of whether the misuse of public office for private gain constitutes corruption varies significantly depending upon the context. The social morality of behaviour figures much more promin-ently into popular assessments of corruption than any technical definition. Ordinary Nigerians make decisions about so-called corruption in the context of deep loyalties to kin and community that often trump the relevance of bureaucratic rules and state laws. Social morality and notions of appropriate civic behaviour remain rooted to a significant degree in institu-tions other than the state, in part because of the failure of the state to deliver its promised benefits. Nevertheless, rising expectations about the state, and about democracy and develop-ment, are part of a process in which the relationship between social morality and governance is changing. Rather than separating corruption and morality, it is necessary to sort out how they fit together in Nigeria.

Instead of imposing a definition of corruption on Nigeria, I am interested in the multiple ways in which Nigerians employ the concept of corruption. As such, I use local categories and implied definitions to build an analysis that makes sense of corruption in the light of what Nigerians do and say. Given that Nigerians see corruption at work not only in public offices but also across a wide range of commercial exchanges and interpersonal relations, tying the definition of corruption strictly to affairs of the state is limiting. However, even as this anthro-pological account of corruption incorporates and interprets a range of local meanings, it will become clear that the emergence of the post-colonial state is central to Nigerian experiences of corruption and that the expectations and disappointments generated by the state permeate Nigerians' collective imagination about corruption. Many of the narratives of discontent that appear moralistic and less directly about official corruption per se are, in fact, heavily influenced by experiences with and expectations of the state.

Based on an extensive comparative study of corruption in three West African countries (Benin, Niger and Senegal), Giorgio Blundo and J. P. Olivier de Sardan (2001) developed a useful typology of forms of corruption that maps reasonably well onto the Nigerian scene. The seven basic forms they identify are: (1) commission for illicit services, (2) unwarranted payment for public services, (3) gratuities, (4) string-pulling, (5) levies and tolls, (6) side-lining and (7) misappropriation. Briefly, commission for illicit services refers to a user's

payment to officials who then grant access to unwarranted advantages to a user. For example, a contractor might provide money to a government official to ensure that he receives a job in a process supposedly based on competitive bids, or an importer might pay a customs official to underestimate the value of his goods to reduce a tariff. Unwarranted payment for public services involves an official forcing a user to pay for a service that is ostensibly provided for free or inflating the cost of a routine service. A gratuity is also a kind of payment for services but usually after the fact and commonly couched in the idiom of a 'thank you'.

In Nigeria, people commonly pay extra money for basic services such as the issuance of licences, passports and birth certificates. Nigerians typically call such a gratuity a 'dash' and do not necessarily think of it in the same terms as a bribe. A dash is often a monetary symbol of a personal or social relationship rather than the naked exchange of money for some (illegal or improper) action or service, as is the case with a bribe. But, as Blundo and Olivier de Sardan point out, a dash only makes sense in an environment where officials fail to do diligently their jobs without the demand for a bribe.

String-pulling refers to using social and political influence to promote favouritism, offering preferential access to employment, education and a range of other opportunities, particularly those allocated by the state. From experience, Nigerians commonly believe that resources and opportunities are awarded based, above all, on who you know. Levies and tolls are relatively stark forms of tribute that persons in power can extract from ordinary citizens. For example, police who collect illegal tolls from motor-vehicle drivers at roadside checkpoints, vigilante groups that demand a security levy from local businesses or bureaucrats who require pensioners to pay money in order to receive their pensions all fall into this category. In most cases, Nigerians view this type of levying as outright extortion. Sidelining refers to the use of public or company resources for private purposes; for example, using official vehicles for personal travel, running a private clinic in a public health facility or using university resources to conduct a private consulting job. Misappropriation extends this practice further, whereby public materials are not simply used for private purposes but expropriated entirely, usually in a manner more concealed than sidelined, as misappropriation is both more illegitimate and more obviously illegal.

Blundo and Olivier de Sardan's typology is preferable to more simplistic analyses that distinguish only between large-scale and petty corruption or between economically beneficial corruption (that arguably facilitates development) and economically detrimental corruption (that arguably inhibits development). Their typology certainly captures and describes a wide range of forms of corruption that are prevalent in Nigeria, but, as Blundo and Olivier de Sardan acknowledge, the boundaries between these forms are fluid, and the perceived legitimacy of practices depends on context and particularly on the position of the people participating in or assessing the behaviour. Such an approach is also state-centred and sidesteps key questions about the intersection between social morality and corruption. Some forms of corruption are almost always less legitimate than others. For example, the tolls collected by police at checkpoints are widely resented, whereas a patron pulling strings to assist a friend or relative is often seen as highly legitimate and even morally honourable.

A number of additional dimensions are salient to situate the particular forms of corruption in Nigeria as well as to understand their degree of acceptability. Whether a particular behaviour is perceived as corrupt and how corrupt a behaviour is judged to be depend on where the behaviour falls along a number of intersecting continua. These continua include legality and illegality, legitimacy and illegitimacy, as well as scale (i.e. petty and massive) and whether an individual is a beneficiary or a victim. Social distance from acts of corruption is generally predictive of perceived illegitimacy, as people socially removed from corruption perceive it as

corrosive. Perceptions in cases of closer proximity to the corrupt act depend heavily on whether a person is a beneficiary or a victim. While smaller scale corruption is more widely tolerated, the most egregious forms of corruption are the least likely to be punished, because the most powerful people participate in them.

'Good corruption' and 'bad corruption'

The community development union is perhaps the most important formal mechanism by which the Igbo-speaking people of south-eastern Nigeria (particularly those who have migrated away from their rural villages) 'deliver' or 'share' the fruits of success with their kin and their communities of origin. The importance of these unions in tying migrants to their natal communities and bringing material benefits to rural villages is well documented (Uchendu 1965; Smock 1971; Gugler 2002). These voluntary organisations, with ascriptive membership bases, focus their energies on developing or 'getting up' rural communities (Uchendu 1965). Migrants who accumulate wealth in their endeavours away from the village are expected to contribute significantly to development efforts at home. Of course, wealthy 'sons abroad' do not act purely out of loyalty to their natal communities; in the act of contributing they build their networks of clients and enhance their prestige. In the context of contemporary Nigerian politics, such ties and bases of support are essential to achieve political power. These dynamics contribute to the tremendous importance of place of origin in Nigerian politics (Smock 1971; Geschiere and Gugler 1998).

The processes of securing and delivering resources to rural communities through community-development unions illustrate the shifting and situational definitions of corruption in the minds of Nigerians. The dynamics that underlie these unions also illustrate the processes by which common people put pressures on their successful kin in a manner that contributes to corruption. The following case study depicts the nature of such pressures and shows how differently corruption is judged depending on the context in which it occurs.

Odi Nwoke was in his twenties when he first migrated from Ubakala to Lagos before the Nigerian civil war.[1] He built a successful printing business and over the years had become rich. Like most of Ubakala's successful migrants, he built a house in his village and came home several times a year to visit family and participate in important social events and ceremonies. He maintained active membership in the Ubakala Improvement Union and contributed to community-development projects.

In the early 1990s, during one of Nigeria's several transitions from military to civilian rule, a political patron Odi had cultivated over the years selected him for a directorship in an Abia State government parastatal (an institution set up by government that is ostensibly semi-independent from the government). This position enabled Odi to disperse significant business contracts and to build his own fortune. At home, his appointment was celebrated and during his brief tenure of eighteen months Odi managed to enhance his position significantly in Ubakala through awarding favours, increasing his contributions to the Ubakala Improvement Union and hosting lavish social ceremonies to which his kin and neighbours were invited.

In 1996, Odi retired to Ubakala. In part as a reward for his contributions to the community, he was voted in as an officer of the Ubakala Improvement Union. Immediately following Odi's election, Ubakala went through a period of political upheaval over the selection of a traditional ruler, or *eze*. Efforts to control the Ubakala Improvement Union were central in this political fight. Several months after his election, rivals accused Odi of misusing the union's funds. His accusers demanded that he be removed from office.

Judgements about whether Odi had misused union funds fell largely along lines of political cleavage in the community, but no one disputed that misusing union funds was a grievous offence. Odi had been celebrated and rewarded for the benefits that he delivered to the community through his position with the parastatal, even though most people assumed that resources had been accumulated through diverting 'public' funds for 'private' use. Money allegedly stolen from the Ubakala Improvement Union, on the other hand, brought great condemnation and was used as a political weapon against Odi and his allies. In these two instances, the contrast in how Odi's corrupt behaviour was judged illustrates the importance of social context in Nigerians' perceptions of the relationship between morality and corruption. The moral valence of corruption depends on how corrupt practices – and the benefits derived from them – are situated vis–à–vis social relations. While corruption in the abstract is almost uniformly condemned by all Nigerians, in practice, corruption that benefits one's social networks can be, and often is, seen as morally legitimate.

419: Corruption, deception and social morality

Despite the continued prevalence of ordinary Nigerians' participation in corruption and the pragmatic role that various corrupt practices play in how Nigerian citizens navigate the challenges of contemporary life, many forms of corruption are perceived as illegitimate. As indicated in Odi's case, similar instances of corruption can be accepted or condemned based on a person's social position (e.g., beneficiary or victim, distant observer or interested party). If 'the Nigerian factor' is corruption, the primary mode of illegitimate corruption in Nigeria is '419'. Named after the number in the Nigerian penal code for a specific form of fraud, 419 (pronounced four-one-nine) emerged in the 1980s during Nigeria's economic decline, when the country fell from the heights of the worldwide oil boom into a political and economic morass marked by military dictatorships, inflation, a rapidly devaluing currency and widespread poverty and unemployment (Apter 2005; Watts 1992). The original meaning of 419 is linked to a particular practice in which the perpetrators sent letters and faxes that relied on the symbols of Nigeria's petroleum-dominated political economy – official letterhead and signatures, Nigerian National Petroleum Corporation insignia, lines of credit, government contracts, etc. – to bait largely foreign targets into providing advance fees with the promise of a larger payoff. The scams relied not only on the trappings of the Nigerian state but also on its reputation for corruption, enticing people with the expectation that some of the millions of dollars siphoned off by corrupt officials could be obtained simply by providing a foreign bank account and advance fees.

The original 419 scams have continued to flourish; they have even increased and expanded as the Internet has democratised access to technology during the same period as Nigeria's transition to democratic governance after many years of military rule. Even more significant than the continued practice of 419 scams through email is that 419 has become an all-encompassing signifier in Nigerian discourse for any behaviour that relies on dissimulation, illusion or some other manipulation of the truth to facilitate gain or advantage. Indeed, nothing better illustrates the Nigerian definition of illegitimate corruption than the spectrum of activities and behaviours that are described as 419.

During my fieldwork in 2004, the Nigerian Labour Congress, an umbrella organisation that represents many trade unions, called a national strike to protest government efforts to deregulate the price of gasoline, kerosene and diesel, a policy that would result in significant increases in the cost of Nigeria's highly subsidised domestic fuel. National strikes over fuel prices have been common in Nigeria's recent history (Apter 2005; Smith 2007). The strike in

2004 was widely observed, and, after several days, during which the nation's economy was largely paralysed, the government was forced to compromise, still raising fuel prices but keeping them well below the deregulated levels that had been proposed. In the period during and after the strike, the issue of corruption in Nigeria's oil economy, always a popular topic, reached its peak in everyday conversations.

Nigerians commonly believe that cheap domestic fuel is a national birthright, perceived as one of the few benefits that an otherwise corrupt and ineffectual government ought to be able to deliver to the masses in Africa's oil-producing giant. In one of the great ironies and tragic symbols of Nigerian underdevelopment, during the Obasanjo regime, from 1999 to 2007, Nigeria imported nearly all of its refined fuel from overseas as the country's four broken-down oil refineries remained non-functional despite numerous huge government contracts to repair them. The popular belief, voiced in the language of 419, was that the country's political elite, led by the President, deliberately kept the country's refineries from being repaired so that they could profit from controlling the importation and distribution of fuel. One account of the domestic fuel situation, provided by a friend during a conversation as we waited in line for fuel at a crowded petrol station after the 2004 strike was called off, illustrates a widely held view:

> [President] Obasanjo is just playing us 419. Government could easily repair the refineries but they leave them failing on purpose. I mean, in this country, with the billions generated from oil revenues, are you telling me that for several years they cannot even repair one refinery? No way. Obasanjo and the ex-military boys, they want it this way. They control the importation of fuel from abroad. They own the ships, the local marketing companies, the petrol stations. I understand some of them have even built refineries abroad. Can you imagine? While our refineries rot they have built their own abroad to profit from our suffering. It is not enough that they steal the oil revenues. They also sell our oil back to us at a profit. No. It's 419, it's 419.

Whether or not this account is entirely factual, it represents a common awareness that elites are getting rich at the expense of the masses and that 419 – here, illusion created through deception – is the central strategy. While most people see elites as the biggest perpetrators of 419, people also share a common belief that 419 has filtered throughout Nigerian society, a perception illustrated in the discourse resulting from the fuel strike. For example, proprietors of local filling stations were accused of 419 for hoarding fuel as the strike approached, pretending that their stocks had run out in anticipation of higher prices after the strike. Even the urban street urchins who sell black-market fuel in plastic jugs at the roadside when gasoline is scarce are accused of 419 because motorists suspect that they mix cheaper kerosene with more expensive gasoline to increase their small profits. A similar stream of critical discourse circulated in reaction to Nigeria's January 2012 national strike over the same issue of government removal of fuel subsidies.

It is not just in connection to the state and the oil industry that Nigerians see 419 flourishing. It has extended to multiple spheres of contemporary life in Nigeria. On a bus ride I once took between cities in Nigeria, a passenger asked that we all pray for Jesus's 'journey mercies', a practice common in the heavily Christian south. Indeed, buses are a popular venue for evangelism, and I braced myself for proselytising. But the man quickly shifted from talk of God to talk of illness and medicine, explaining that he was a renowned healer and that he had brought his medicines on board to help his companions on the journey. He explained that

his plastic bottles full of red liquid treated malaria and typhoid and that the ones with yellow liquid treated an assortment of 'woman problems' such as irregular menses and infertility; he even had different powders for toothaches and foot odour. Each time that he introduced a new medicine, a man in the back of the bus shouted that he wanted it and asked the price. He paid enthusiastically and was given his medicine. Eventually, a few other passengers bought some too. After several stops the medicine pedlar disembarked, presumably to continue his sales on a bus going the other way. His main customer also left at the same stop. Once they exited, the woman sitting beside me turned towards me and said, as I had been thinking, 'It's 419. The fellow at the back eagerly buying all the medicine is his partner.' She paused and added, with a sigh, 'Nigeria . . .'

Conclusion

Distortions are created and inequalities perpetuated when corruption in Nigeria is explained based on reified and simplistic notions of African culture. Such conceptions should be strongly contested. But it is irresponsible, both from a political and a scholarly point of view, to shrink from confronting the troubling conclusions about the relationship between corruption and culture that are evident in this ethnographic account. It is impossible to absorb the prevalence of corruption and the discontent that it produces in Nigeria without concluding that corruption has become heavily implicated in Nigerians' views of their culture.

Nigerians' ambivalence about corruption is explained by the realities that they face. To the extent that ordinary Nigerians are participants in corruption, as well as critics and victims, it is because they are pragmatic: the stakes for individuals in Nigeria are tied ideologically and materially to the social groups to which they belong. Thus, when individuals make choices that one might describe in terms of corruption, they do so with a sense that their own failures to acquire resources will drag others down and with the knowledge that their own success will be evaluated in terms of its contribution to the larger group. Further, people are well aware of the intense scrutiny that they face from their families, communities and other associates. When Nigerians speak of 'the Nigerian factor', they are referring not only to corruption per se but also to the pragmatic choices that individuals must make in the context of their obligations to deliver to their people whatever share of the national cake they can capture.

From this perspective, corruption does not appear so detrimental, and, indeed, if this were all there was to corruption, perhaps Nigerians would be much less discontented than they are. But as the concept of 419 suggests, corruption in contemporary Nigeria has far exceeded the boundaries that can be explained by ties of kinship, obligations of patronage and duties to the communities and groups to which an individual belongs. Because 419 relies on deceptions that manipulate the façades of the state, the trappings of development and democracy and the symbols of modernity, 419 stands for people's dissatisfaction with precisely these aspects of contemporary life in post-colonial Nigeria. As the institutions of kinship and patron-clientism have become increasingly stretched and strained with the rise of the state as the primary locus of national patrimony, and as people can no longer reliably depend upon reciprocity and sharing to deliver what they need, practices of 419 have become part of a pragmatic repertoire that large numbers of Nigerians use to exploit the contemporary political economic landscape. To ordinary Nigerians, the most troubling implication of 'the Nigerian factor' is that 419 has become a way of life.

But the fact that most Nigerians are upset about, even obsessed with, the prevalence of 419 in their society suggests that countervailing moralities and life strategies are still powerful. The very notion of 419 is an indigenous critique of the forms of corruption that the vast

majority of Nigerians reject. Unfortunately, the degree to which ordinary Nigerians point fingers of accusation inward, quickly suspecting each other of 419, also deflects attention from the larger structural explanations for their suffering.

Note

1 Pseudonyms are used to protect anonymity.

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5

CRIMINAL ENTREPRENEURSHIP

A political economy of corruption and organised crime in India

Andrew Sanchez

Introduction

One hot summer evening in 2006, while I was conducting ethnographic research in the Indian steel town of Jamshedpur, I received a somewhat mysterious telephone call from a close research participant. I had come to Jamshedpur to investigate the relationship between trade-union corruption and the decline of permanent industrial employment, and my work brought me into contact with many people like the man I was speaking with. Known to his friends as Lucky, he was the twenty-one-year-old jobless son of a retired industrial worker.[1] Like many of his peers, he sought to elevate himself above the ranks of India's unemployed by investing his father's early-retirement settlement in a variety of business ventures. The tone of Lucky's call was vague: he asked simply that I meet him that evening in a local bar to discuss a 'personal problem'.

   After a round of drinks, Lucky's problem became clear. It transpired that his elder brother, who had proudly emigrated to London a year earlier to work in a convenience store, had done so on a tourist visa. The visa had expired some months earlier, and the brother now faced the very real prospect of a humiliating deportation, which he intended to avoid by entering into a sham marriage with an English woman and claiming British citizenship. Lucky felt that this was a common enough occurrence in London. However, for a recently arrived migrant, finding the right type of spouse was no mean feat. One's accomplice must be unscrupulous enough to break the law for money yet still be reliable enough to maintain the deception months, or even years into the future. Lucky suggested that deals such as this were best brokered through a well-connected local agent, and, since I was a native Londoner, he proceeded to offer me Rs 1 Lakh (approximately £1,200) to find his brother's spouse. It soon became apparent that Lucky's 'personal problem' was in fact a business proposal. He claimed that, family woes aside, there was good money to be made in finding brides for Indian migrants. Lucky suggested that we go into business together, matching fee-paying men from Jamshedpur with women in London. For each of these transactions, I would collect the same commission of Rs 1 Lakh. Lucky's father was so taken with the idea that he had already contacted more than a dozen potential customers. For Lucky himself, this was simply one in a long line of criminal enterprises. During the same year he also cultivated a relationship with a corrupt member of the Indian civil service in an attempt to procure fake Indian passports, which he hoped to sell to local gangsters.

Lucky's businesses were attempts to enter into the types of negotiations that are popularly termed 'organised crime', a cooperative practice that brings together capitalists, corrupt institutional actors and violent entrepreneurs in mutually beneficial relationships and is based upon the exchange of distinct skills and areas of authority (see Arlacchi 1983, 1986; Gambetta, 1993; Handelman, 1994; Kang, 2002; Volkov 2002; Yurchak 2002; Varese 2005; Herzfeld, 2009). I was initially unsure why Lucky would regard me as a suitable partner in such a venture, since I had no prior personal experience of any form of enterprise, criminal or otherwise. However, with time I realised that, for criminal entrepreneurs, the right business partner is one who acts as a 'valve' between enterprise and any resource that would not otherwise be accessible: be it violence, capital, political influence or, in my case, knowledge of an unfamiliar territory (see Yurchak 2002). In Jamshedpur, Lucky's entrepreneurial networking was the rule rather than the exception and relied upon the incorporation of a wide variety of individuals into the business of organised crime. In the year that followed, another research participant proposed that I smuggle readily available 9-carat gold from the UK to India, where we could use contacts among local jewellers to fraudulently sell it as 18-carat gold to consumers. In this proposal, the sporadic criminality of both the jewellers and myself was contingent upon nothing more than the viability of a given business proposal. The same logic governed Lucky's dealings with his partner in the Indian civil service, whose role in the grand enterprise of organised crime rested on a single and short-lived deal made between two men, which collapsed the distinctions between organised crime and corruption and between licit and illicit economies.

This chapter considers what the business practice of Lucky and his peers can tell us about the political economy of capitalism, corruption and organised crime in India. Inspired by Volkov's landmark study of Russian 'Mafias' (Volkov 2002), I present an ethnographic account of a firm of Jamshedpur debt-collectors, through which I discuss how successful entrepreneurship relies upon cooperation between criminal, corporate and state actors. I argue that rather than operating at the fringes of capitalist democracies, criminality is integral to the economic and political processes by which power and wealth change hands in parts of India. Second, I consider what the implications of this model are for anthropological understandings of Indian corruption, since organised criminal entrepreneurship necessarily engages with abuses of institutional authority. I suggest that since anthropological approaches to India largely focus upon public discourses surrounding petty bribery, they are inappropriate conceptual tools with which to analyse systematic and violent forms of elite criminal enterprise. I argue that a model of 'criminal entrepreneurship' provides a more solid conceptual basis through which to understand Indian political corruption.

Criminal entrepreneurship and the idea of corruption

I first met Suchir in the bar of a Kolkata hotel in 2006. I had arrived in the city that morning and planned to make the 200-kilometre journey to Jamshedpur the next day, where I would begin fifteen months of ethnographic fieldwork. Suchir was the twenty-six-year-old son of a local police officer, and when I met him he was drinking beer with a group of loud, friendly young men from his neighbourhood. Suchir worked for the finance division of General Electric Money, the loans department of the US multinational, and he was celebrating a promotion: the next day he would be transferred to Jamshedpur, where he would manage consumer-finance packages for the purchase of motorcycles. He did not know the city well but was sure that he would be in good hands once he arrived. His bosses had introduced him to their contracted collection agent in Jamshedpur, a local man named Rishi, who operated

out of a large house in the middle of one of the city's slums. Aged thirty-eight, Rishi had precociously made a name for himself as one of the city's most prominent debt-collectors and mixed as easily in the offices of executives and politicians as he did in the streets of his dilapidated neighbourhood. Rishi's connections would help Suchir negotiate the difficulties of an unfamiliar place.

Within six months, Suchir began to profess that he might not suit his new job after all. Colleagues in his Jamshedpur office were helpful, and his apartment was clean and spacious. However, his work brought him into contact with a variety of entrepreneurs who had alarming means of negotiating their business deals. Collections contracts for finance companies were highly profitable businesses in Jamshedpur, partly since so many young men were eager to possess motorcycles that far exceeded their budgets. Suchir's partner, Rishi, was a major player in the motorcycle repossessions market, and his name was familiar to countless people who had been unable to meet their payments. However, he was not without his competitors. Syndicates of entrepreneurs, investors and enforcers periodically cut into his business by martialling the patronage of criminal politicians and gangsters, with which they coerced his partners into transferring their contracts to new firms. During the period of fieldwork, Rishi enjoyed a particularly strained relationship with the city's then Member of Parliament (MP), Sunil Mahato, who was locally purported to run a protection racket among the city's illegal alcohol producers and to traffic in stolen heavy minerals. Mahato's feud with Rishi began with demands from the MP for protection money, which, when refused, were followed by threats and the successive poisoning of several of Rishi's guard dogs. By the time Suchir arrived in Jamshedpur, Mahato had begun to coerce Rishi's partners in General Electric Money.[2]

Throughout the summer of 2006, Suchir received a series of worrying telephone calls from Mahato's enforcers, urging him to transfer General Electric's debt-collection work to the MP. Suchir was not senior enough to award Mahato any form of tender; nonetheless, he had been identified as a convenient local 'valve' through which his interlocutors might access a lucrative contract (Yurchak 2002). This then was a business proposal to an individual perceived to have access to resources. However, if such negotiations seek resources at all, it is only because they can be used as investments in further negotiations. The MP may have lacked access to the Kolkata offices of General Electric Money, but he had been immersed in Indian organised crime for many years, and his earlier partnerships had allowed him to accumulate wealth, political influence and an army of enforcers. For his dealings with Suchir, he relied on the latter and eventually sent several men to his office where they threatened to shoot him. In a state of panic, Suchir managed to convince his aggressors that he lacked the authority to do business with them. He directed their attentions to his boss in Kolkata, whom they accordingly set about harassing in his stead. The threat to Suchir's life evaporated as soon as it had appeared, once it became evident that he could not facilitate the access which his would-be business had hoped for.

Understanding the actions of Sunil Mahato requires a conceptual step beyond regional analyses of corruption and political criminality, which largely focus upon the phenomenon of bribery (Das 2001; Gupta 1995; Parry 2000) and tend to relate political violence to communalism (Hansen 2001). Even where regional studies have made important advances in interrogating the political economy of corruption, the role of coercion in the consolidation of power remains under-theorised (Jeffrey 2002; Wade 1982). Drawing upon the comparative case of Russia, Volkov's analysis of the role of organised criminal violence in the transition to capitalism is highly instructive. Building upon Blok's classic study of the Sicilian Mafia (1974), Volkov's work subverts the received wisdom that organised crime stifles free-market

capitalism (see Galeotti 1998) by showing how the fragile contracts of Russia's nascent free market were underwritten by violent entrepreneurs who entered into 'enforcement partnerships' with capitalists (Volkov 2002).[3] Volkov contends that this entrepreneurial ethic allowed new types of criminal syndicates, comprised of former state security agents and athletes, to undermine the authority of older criminal organisations such as the Vory V Zakone, whose enterprises were constrained by complex codes of honour and a powerbase largely restricted to the prison system (Handelman 1994; Volkov 2002). Volkov's notion of violence as a form of 'market protection' has since become highly influential (see Varese 2005) and, for the purposes of this chapter, provides a conceptual model with which to understand how criminality may be purposefully related to political and economic negotiations.

Volkov's enforcement partnership model can be productively applied to the field of corruption, by exploring how political elites mobilise institutional authority and coercive power in mutually constitutive ways in the pursuit of their entrepreneurial goals. Sunil Mahato is a criminal entrepreneur, and it is reasonable to regard his political authority as a resource to be capitalised upon in further negotiations. Somewhat supporting this assertion are the entrepreneurial partnerships which the MP builds with his interlocutors. Mahato may seek a relationship with Suchir for what he can give him, but it is also true that his partners do likewise in their dealings with Mahato himself, since he acts as valve to a reserve of political influence, wealth and violence. When I suggested to Suchir that Mahato's 'enforcers' might be entrepreneurs simply operating with the MP's patronage, he thought this explanation eminently plausible. Mahato was known to contract his services in enforcement partnerships, and, since his patronage was underwritten by real political power, it was highly prized. In this respect, the functional relationship between a criminal politician and his or her partners could be conceptualised using Sahlins' model of the Melanesian Big Man (Sahlins 1963). However, unlike Sahlins' Big Man, whose authority is based upon durable personal relations and risks entropy beyond a certain scale, the criminal politician deliberately cultivates a wide range of partnerships, often with quite distant and dissimilar actors. It is the fluidity and variety of these partnerships that underpins Mahato's political and economic position.

However, if the model of a networking criminal entrepreneurship which I have proposed is well substantiated, then evidently a good deal of people (such as civil servants, financiers, merchants and potentially the occasional ethnographer) must find themselves engaging with corruption and criminality on a semi-regular basis. This fact raises important questions regarding the moral rationalisations that individuals make for their engagement in illegality. Parry's analysis of Indian bribery provides a useful framework from economic anthropology with which to approach aspects of this tension (Parry 2000). Building upon the conceptual foundations laid in earlier work, Parry considers that since the economy is embedded within social relations, material transactions must be subject to moral evaluations on the part of their agents (Parry 1989). In the Indian context, this tendency is further reinforced by the Hindu conception of religious gift-giving, which allows for material objects to corporeally embody the sin of their donor. The role of the religious specialist in demanding and then receiving such a gift is to become an 'eater of sin' and absolve the donor of her moral transgressions (Parry 1986). Parry's insight that Hindu cosmology enables material goods to embody and transmit the sins of their transactors is productively applied to the field of corruption. For Parry, the primary means through which most common people engage in Indian corruption is through the giving of bribes to petty state functionaries and their intermediaries. He argues that these types of everyday corruption are popularly conceptualised through the lens of Hindu religious gift-giving, which allows the large number of bribe-givers to transfer the sin of their actions to specialist bribe-eaters (Parry 2000). This model then is an important means

through which ordinary people are able to engage in everyday corruption whilst rationalising the morality of their actions.

Parry's study of sin and materiality in Indian corruption provides an elegant framework with which to comprehend the moral tensions of everyday bribery. Furthermore, his focus upon the popular conception that bribes are demanded from their recipients as a condition for fulfilling institutional responsibilities helps to explain, in part, the extent of popular engagements with corruption. However, being rooted in the conceptual framework of an economic anthropology that focuses upon material exchange, this model does not provide the conceptual tools with which to understand those types of corruption that rely upon negotiations of power which cannot properly be called transactions. I have argued that Sunil Mahato's relationships with some of his interlocutors may be considered in terms of an enforcement partnership, in which the MP contracts his patronage to loose business partners. This then is a transaction, since the negotiation involves the exchange of one resource for another. However, in properly considering the content of Mahato's corruption, one must consider all the relationships his patronage engenders. At their further reaches, these negotiations reach Suchir's office, or the kennels of Rishi's poisoned dogs. Here they become coercive practices and are only transactions in the loosest sense. Conceptually, these are political–economic rather than economic processes, for which I argue that Volkov's modelling of coercion provides a more productive analytic framework. However, Parry's work provides helpful cues in reading the material discussed here by suggesting how discourses of corruption may constitute a form of popular political commentary.

Pursuing a similar line of inquiry, in an influential analysis of provincial north Indian corruption discourses, Gupta observes that the most visible interface between the state and citizenry are personal negotiations with provincial bureaucrats, through which one 'imagines' how the broader state functions and is structured (Gupta 1995). Following this premise, the everyday business of civil politics is exercised in the workplaces, bazaars and tea stalls of Indian towns as people share commentaries upon local political processes. Such commentaries are often cast in the terms of corruption scandals and are heavily informed by the emphases of local print media. Gupta's notion of corruption discourses as a way of publicly talking politics is broadly applicable across the regional context: in Jamshedpur, such practices do indeed express types of political consciousness. However, I would suggest that corruption models rooted specifically in the analysis of local media discourses are of limited utility in understanding the linkages between corrupt actors.

The political commentaries of provincial print media naturally tend towards local-interest stories and focus upon the corruption of junior state actors for reasons that are perhaps as much commercial as political. Since the bribery demands of provincial bureaucrats are frequent and frustrating features of local lives, stories surrounding them are emphasised by media professionals, who seek to anticipate the appetites of their consumers. Presentations of this material assume personalised terms that are consistent with the journalistic genre of modern scandal reportage and stress the moral transgressions of their objects (Sabato et al. 2000). Accordingly, the popular corruption discourse that relates to this process is a provincialising one, which suggests that corruption is concentrated at the level of the local petty state and is primarily rooted in the bribery demands of isolated and self-interested individuals.

For Gupta, this material suggests a corruption concept that allows the citizenry to consider that a core of decency and accountability persists at the higher reaches of Indian politics, which is deviated from by the profiteering of local bureaucrats. As such, this is a corruption discourse about specific abuses of power rather than the operation of power per se, rendering

it substantively different from that in Jamshedpur. The idea of corruption suggested by Gupta is most fundamentally episodic. This is to say that corruption exists as a potentiality, which is then concretised in specific encounters. By comparison, the corruption discourse of Jamshedpur is systemic and is applicable to the study of a broader range of phenomena. A systemic discourse resists the tendency of episodic approaches to draw conceptual and moral boundaries around events and rather emphasises the relationships between broad networks of actors. In this section I elaborate on the content and origins of systemic corruption discourses in Jamshedpur.

Some weeks after Suchir's encounter with the MP had passed, I spoke with Rishi about the relationship between political corruption and organised crime. I wondered, much like Parry and Gupta, how local people thought about the types of corruption I encountered during research. During a long conversation, I suggested to Rishi that the Jharkhand Mukti Morcha (JMM) party to which Sunil Mahato belonged might locally be considered a criminal organisation.[4] It certainly seemed likely, since Mahato engaged in such a wide variety of illegal businesses and was evidently predisposed towards the use of violence. Rishi thought this quite an astute observation but cautioned that one should not think this true for the JMM alone, which largely represented the state's tribal peoples. Rishi suggested that criminality was inherent to the negotiations by which anyone accesses real power and wealth. Mahato, he said, was simply someone who had been more successful in such negotiations, and it was logical that he would seek to consolidate his position through a parliamentary career. Referring to some of the region's most prominent political parties he claimed:

> Look, you have the tribal people here in Jamshedpur, and their *goondas* [gangsters] are the JMM, and you have the BJP,[5] and they are the Brahman[6] *goondas*, and then there are the RJD,[7] and they are like me, they are the Yadavs.[8] But, they are *goondas* too. All of them are *goondas* . . . if you are a big *goonda* and you have some charge against you, what can you do? You will be caught eventually, and you will go to prison. So you simply must become a politician and then get the charges dropped. That is why there are so many criminals in politics.

Rishi held the local political economy to function through negotiations between corruption, organised crime and entrepreneurship, which effectively eroded the boundaries between these fields. Based on his own personal experience, he felt sure that his ideas on this matter were correct.

When we first met, Rishi was thirty-eight years old and lived in the house where he had been born. His father was a steel worker, and Rishi had been educated at a company school. At the age of eighteen, rather than following his father into the steel plant, he decided to study accountancy at a local college, where he supported himself by working nights at a petrol station. After graduating, Rishi proved to be a capable accountant. He quickly built a healthy and respected local practice, the profits from which he began to channel into a lucrative side-line in money-lending. Since money-lending proved to be even more lucrative than accountancy, after several years he eventually closed his practice altogether. With time, his money-lending business too was abandoned as he decided to focus upon contracting his collection services to banks and finance companies. He prospered in this work, partly since he possessed the technical skills needed to manage weekly payments from huge numbers of debtors. But, more importantly, during his years of business negotiations he had made valuable connections with entrepreneurs, politicians, police officers and gangsters which gave him access to capital, institutional patronage and the violence with which to coerce debtors.

By 2006, Rishi's services were in high demand. He was the chief collections agent for General Electric and enjoyed productive partnerships with some of the state's most powerful organised-crime figures.

Rishi's entrepreneurial flair was contingent upon his ability to recognise areas in which an appropriately placed valve might profitably mediate between resources, and he maximised his ability to stand between licit and illicit economies by structuring his office as a microcosm of the local political economy. In this respect, he was an entrepreneur par excellence, whose practices typified a broader neo-liberal subjectivity (Foucault 2001). Rishi employed smart, middle-class Bengali women to communicate with the Kolkata offices of corporations. For his dealings with Jamshedpur's Sikh merchant class, he hired two local Punjabi men. For his enforcement needs, he retained the services of a man connected to a large and violent criminal organisation, whose leader's father was the head of the state Police Association. For his immediate relations with law enforcement, he employed the husband of a local police officer, despite regarding him as slow-witted. Through the latter relationship, he was corruptly informed of accusations levelled against him by victims of his firm's violence. With the aid of well-placed bribes, he ensured that such accusations were seldom formally investigated. Rishi's perspectives on Sunil Mahato are therefore very much a commentary from within criminalised entrepreneurial negotiations. However, as I have discussed elsewhere, discourses that suggest mutually beneficial relationships between criminality, corruption and enterprise constitute a public political consciousness which has even greater salience for India's working classes (Sanchez 2012b).

Rishi's ideas find their echoes on the shopfloors of Jamshedpur's factories, where a pervasive discourse suggests that the broad class positions of modern Indian society are consolidated by criminality. This model contends that since the economic liberalisation of the 1990s, criminalised elites and corporations have seized a larger share of India's wealth, to the detriment of those on the bottom of the pile. A relationship between corruption, violence and enterprise has been a rather public feature of the regional political economy since the 1970s, during which time significant numbers of career criminals began to enter the Indian parliament, a development with origins in the political use of violence during Indira Gandhi's dictatorial 'State of Emergency' from 1975 to 1977 (Mehra 2002; Sanchez 2012a). The available data testify to the effects of this process. As of 2013, of the 543 elected representatives of the lower house, 158 (29 per cent) were charged with a criminal offence. Furthermore, seventy-four (14 per cent) of the lower house of the Indian Parliament were charged with crimes in the most serious category of offence: comprised of murder, rape, extortion, banditry and theft.

The distribution of criminal charges within the Indian parliament is weighted towards MPs representing the smaller parties, whose support bases rely upon the politics of caste and ethno-regionalism. Among the two major parties, the Congress Party, whose ideology is a secular state socialism, has 5 per cent of its 205 MPs currently facing charges, while the Bharatiya Janata Party, representing a broad platform of Hindu nationalism, sees 16 per cent of its 116 MPs charged. At the other end of the spectrum, the regional Samajwadi and Bahujan Samaj parties, who predominantly represent the interests of untouchable castes, have 60 per cent of their MPs charged. Other ethno-regional parties fare similarly poorly. Interrogating this phenomenon better substantiates the contexts in which criminals are likely to enter Indian politics.

Many of the Indian political parties strongly associated with criminality have their support bases in a vast northern swath of the country, running from the state of Haryana in the centre west, across Uttar Pradesh to the eastern states of Bihar and Jharkhand.[9] Across Haryana, Bihar and Uttar Pradesh, post-independence rural relations have been characterised by a

progressively open state of conflict between lower-caste tenants and their upper-caste land-lords. In this climate, the use of politically orchestrated violence is increasingly salient. In Bihar, criminal authority was further entrenched by 1975's state-wide alcohol prohibition, which created a lucrative market for bootlegged liquor. Regional criminal organisations prospered in the 1970s by providing coercive political services and fulfilling black-market demands for consumer goods. These organisations eventually diversified into labour-contracting, haulage, mineral extraction, metal-trading and waste disposal as the region's industrial sectors expanded throughout the 1980s. During the 1990s, the power of regional criminal politicians received a further boost from the centre, as a series of weak coalition governments allowed the smaller parties on which they were dependent to wield a dispropor-tionate level of power in parliamentary votes. It is during this period that the Congress Party became embroiled in the 'bribes for votes' scandal, which saw Prime Minster Narashima Rao convicted of corruption and Sibu Soren, the head of Sunil Mahato's JMM party, convicted for the directly related murder of an alleged blackmailer.

The penetration of known criminals into parliament has its clearest origins in Indira Gandhi's State of Emergency. One might also conclude that the class and ethnic conflicts of particular regions explains why violence initially became a feature of charismatic leadership in Indian politics (Hansen 2001). However, it is the capacity of parliament to enable the consolidation of personal power that presently explains the allure of a political career to crim-inals. In this context, the public pervasiveness of a systemic corruption discourse such as Rishi's seems more explicable. Regarding the historical antecedents of Indian political criminality, the public recognition that criminality has played a role in the Indian political economy for many years supports, rather than undermines, the political critique that popular corruption discourses represent. Far from having entered a new corporate age of transpar-ency, professionalism and opportunity, popular corruption discourses perceive society to function on the same corrupt, oligarchic terms as the past, albeit with a greater variety of business opportunities. That criminality and violence are said to be inculcated within polit-ical and economic success lends corruption discourses a certain ethical weight. However, these commentaries are primarily systemic as opposed to moral and should be regarded as distinct from the broader modelling of epochal social decline that characterises Hindu cosmo-logy (Pinney 1999).

Conclusion

For Lucky, Suchir and Rishi, the practices loosely termed 'corruption' are not conceptually limited to abuses of legal authority (Weber 1978: 217 ff.). Neither are these practices neces-sarily expressed as bribery. Indeed, for Suchir, corruption may be a coercive practice that is not rooted in material transactions at all. At the very least, this raises the pertinent question of how far we might apply the transactional frameworks of economic anthropology to the field of political corruption (Parry 2000).

In the steel town of Jamshedpur, the category of 'corruption' refers to the broad spectrum of criminal enterprise by which institutional actors not only abuse but reach beyond the authority of their offices. Conceptualised as the abuse of power within a defined area of authority (Das 2001), popular models of corruption lack the conceptual breadth with which to understand a rather different type of political criminality: namely, the processes by which legal authority is used in the pursuit of multifarious forms of power. For Sunil Mahato MP, political corruption is a constituent element within a broader entrepreneurial project that is focused upon the economic opportunities of mercantilism, debt collection and racketeering,

the accumulation of coercive resources and the exercise of legal influence. What the Mahato case most clearly illustrates is how corrupt practice is inserted within the political–economic negotiations that constitute organised crime (Arlacchi 1983, 1986; Blok 1974; Gambetta 1993; Handelman 1994; Volkov 2002; Varese 2005).

Rishi's conception of political criminality collapses the distinctions between corruption, criminality and enterprise by intriguingly suggesting that his business functions on the very same principles as Mahato's. What Rishi suggests is that the differences between himself and the region's gangsters and politicians are ones of degree rather than of kind. This systemic discourse suggests that corruption and organised crime are integral features of the Indian political economy and is notably distinct from the episodic corruption discourses discussed by Gupta (1995). Importantly, this popular model in Jamshedpur has salience beyond its discursive dimensions. The long engagement of politicians in criminal entrepreneurship, the criminality of local business negotiations and even the ease with which research participants attempted to coopt me into their own criminal endeavours suggests that such discourses are incisive commentaries upon everyday processes. A conceptual model of criminal entrepreneurship advances the understanding of political corruption in India by showing how corrupt institutional actors are productively incorporated within the negotiations of organised crime.

Notes

1 Pseudonyms are used throughout for research informants. Public figures such as politicians are not anonymised.
2 Sunil Mahato was assassinated in Jamshedpur in March 2007 by Maoist guerrillas, representing India's Naxal uprising. Local media contended that the murder was related to Mahato's criminal enterprises (see 'Broken Vow Led to Killing', *The Telegraph*, Jamshedpur edition, 25 March 2007). This assertion was denied by the local party wing of the Maoist uprising, which held that he had been executed as a corrupt 'sycophant' ('Chamcha') of the state's industrial corporations.
3 Despite popular emphasis upon vendetta and honour as the traditional structuring principle of Italian organised crime, even a rather cursory historical survey of the field shows its origins to be firmly economic and political, resting in the feudal patronage of post-unification Italy. See Arlacchi (1983, 1986) and Gambetta (1993).
4 JMM is the 'Jharkhand Liberation Front', an ostensibly tribal interest party that enjoys a high degree of support across the Jharkhand state.
5 Bharatiya Janata Party, a conservative political party aligned to the Hindu Nationalist movement.
6 The highest order in the Hindu caste system.
7 Rashtriya Janata Dal.
8 A large, low-status North Indian caste.
9 The state of Jharkhand was inaugurated in 2000, formerly being the southern regions of Bihar.

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PART II

Causes

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6

CAUSES OF CORRUPTION

Bo Rothstein and Jan Teorell

Two contested concepts

Venturing into an issue as complex as the causes of political corruption opens up a number of intricate problems, not least since, as stated by Huberts, 'corruption and causation are among the most contested concepts' (2010: 146). The problems can be divided along three analytical dimensions. The first is whether we should operate with a universal understanding of corruption or consider it a problem that is culturally or temporally specific. This also relates to how we understand the opposite of corruption. Is 'clean' government a universal or a culturally specific entity, and, if specific, how many variations can exist, and of what type? Understanding and explaining the causes of corruption is not only an academic issue but has a 'policy-relevant' dimension. If we want to minimise corruption, what alternative state should we wish for?

A second dimension relates to the question of how to understand causality in the social sciences. This issue relates to meta-theoretical epistemological and ontological issues that are largely unresolved. To a surprisingly large degree, social scientists do not have a common understanding of what should count as a causal explanation. Should explanations be based on observable facts or are the most potent explanatory factors unobservable things like 'collective memories'? Scholars working in the hermeneutic tradition differ from those working within the scientific realism perspective, which in turn differs from the logical–positivist perspective. Although many social scientists go on doing what they do without reflecting very much about ontological and epistemological issues, as shown by MacDonald (2003) and Shapiro (2005), even unreflected standpoints have a great impact on the research produced and upon what should count as a causal factor. Related to this problem is how to handle structural versus intentional explanations (also known as macro-, meso- and micro-level explanations). Can structural (or systemic) variables be seen as causes in their own right so that an economic structure such as, for example, the level of economic and social inequality in a society can explain its level of corruption? Or do we need to show how such structural forces operate through individuals' perceptions of these very structures that are then transformed into intentions that are acted upon (Elster 1989, 2007)?

A third dimension concerns how the causality of corruption relates to the ever-lasting problem in the social sciences of how to understand the basis for human behaviour. Should

we rely on notions about rationality and self-interest as the basic template for explaining behaviour or should we base our understanding of attitudes and beliefs about corruption on historically established norms and culturally induced 'scripts'? Do people that live in system-ically corrupt societies and that are engaged in various corrupt practices have a qualitatively different understanding of ethics in public affairs from people in, say, low-corruption Denmark? Or is it their understanding of rationality that is different? Needless to say, this dimension has important policy implications. In order to change a society from high to low corruption, should we change the incentive structure or should we try to change the moral codes of that society? Is there a difference here between those who demand bribes and those who have to pay, or choose to offer, bribes? This also relates to individual differences: are some 'types' more prone to corruption? For example, what characterises those individuals who live in systemically corrupt societies who nevertheless choose not to participate in corrupt exchanges, and vice versa?

In this chapter, we shall attempt to make headway through this plethora of conflicting positions by arguing three things. First, that there is a promising agenda for how to under-stand corruption as a universal concept but that this requires an explicit normative foundation of what should count as the opposite to corruption. Second, that in the midst of all contro-versy an understanding of causation that can be accepted across a broad spectrum of meta-theoretical perspectives has developed in the past decade or two. Third, we will review some of the main findings in the vast literature on causes of corruption based on this understanding of causality. We end by discussing some more general theories for explaining corruption and areas we think should be made the future of corruption studies.

Definitions of corruption

The most used definition of corruption is 'misuse (or abuse) of public power for private gain' or some close variant to this formulation (Huberts 2010). In this definition, corruption is seen as something different from crimes or (other forms of treacherous behaviour) that may only involve agents in the private sector. For something to count as corruption, at least one of the parties must have a position in the public sector. This indicates that corruption is abuse of some kind of 'public good' (Mungiu–Pippidi 2006).

The main problem with this standard definition is that what should count as 'abuse' or 'misuse' is not specified. More precisely, with this type of definition, we do not know which moral norms, legal rules or standard of ethics are 'abused' by a corrupt act. Using this type of relativistic definition, what should count as corruption in, for example, Switzerland may be something completely different from what should count as corruption in, for example, Taiwan. The problem with this standard definition of corruption is thus that it makes it impossible to come up with any type of general theory of what causes corruption in two settings where the understanding of 'abuse' or 'misuse' of public power differs (Rothstein 2011). This problem cannot be addressed by simply referring to the abuse of existing legal rules, since such rules can vary a lot and also allow for corruption. Not very long ago, companies in many Western countries could legally 'deduct' the cost of bribes that had been paid when making business deals in many developing countries. Somewhat similarly, some argue that the system of financing political campaigns in the USA as well as some types of lobbying, although legal, should be defined as 'legal corruption' (Johnson 2009; Kaufmann and Vicente 2011).

We can compare this problem to how democracy or human rights are usually defined, namely as based on universal norms such as 'political equality' (Dahl 1989) and 'equal concern

and respect' (Donnelly 2003; Talbott 2005). The advantage with such universal definitions is that we may then produce reasonable reliable knowledge for when such norms are not respected and conclude that Country X violates human rights and Country Y should not be defined as a democracy. These universal definitions have made it possible to carry out research about causes of democratisation (Teorell 2010) or what explains why some regions are not democratising (Diamond 2010). Political theorists have also questioned if it is morally justified to operate with relativistic definitions of central normative concepts such as justice, democracy and human rights (Donnelly 2003; Talbott 2005), an argument we think one can extend to definitions of corruption.

A way out of this problem has been suggested by scholars who have tried to specify a universal concept of the opposite to corruption. Corruption can come in many forms (bribes, nepotism, clientelism, cronyism) and exists at different levels (from 'petty' to 'grand'), finding a concept that covers all this is therefore problematic (Johnston 2005). One suggestion launched by Mungiu-Pippidi (2006) is universalism (as different from particularism) in public–policy formation and implementation. By this she means that public policies should not be direct to favouritism of individuals because they belong to particular groups or elites or have had resources to bribe officials. Another suggestion comes from North et al. (2009) and is impersonal enforcement of rules as opposed to personalistic forms of wielding public power. A third suggestion by Rothstein and Teorell (2008) is impartiality in the implementation of laws and policies. A closer inspection reveals that the differences between these authors are mostly terminological, what is important is that they all suggest a universal standard for what should count as corruption and the opposite to corruption. These authors suggest that corruption is a form of favouritism in the exercise of public power, especially in the implementation of laws and policies. This is when the 'equality before the law' principle is not respected, but it also involves transgressions of professional standards by, for example, doctors, teachers and planners. The advantage with this line of reasoning is that we have defined a universal norm that we can say is 'abused' when corruption occurs. This implies that we can search for causes of corruption that are not confined to specific cultures or historical periods.

Such a universal definition seems to have reasonable support from empirical research, both that which is based on surveys, ethnographic approaches and experiments. Analyses of surveys such as the Afrobarometer (Persson et al. 2012), surveys of people in Europe (Charron et al. 2012; Svallfors 2012), survey studies from severely corrupt villages in India (Widmalm 2008) and ethnographic work about corruption in highly corrupt societies (Jordan Smith 2007; Persson et al. 2010; Torsello 2011) show that, in general, people in societies in which corruption has been rampant as long as anyone can remember, (1) take a clear moral stand against corruption, (2) do not have a different ethical standard of what should be seen as corruption from that which dominates in low corrupt societies and (3) understand its very negative effects on their societies. Moreover, an analysis of how corruption was fought by the French king Louis IX during the thirteenth century presents us with the finding that there is very little difference between how it was understood 900 years ago and, for example, in contemporary Denmark (Jordan 2009). Similarly, Machiavelli's understanding of corruption in the *Discourses* seems very modern (Bonadeo 1973), as do analyses of corruption during the fall of the Roman Empire (MacMullen 1988).

This line of reasoning has been criticised by scholars who argue that Western understandings of 'good governance' cannot be implemented in, for example, traditionalist African societies (Abrahamsen 2000, cf. Blundo and Olivier de Sardan 2006). However, Gustavson shows that state auditors in Botswana and Namibia '[consider] the international standards for

auditing as the most appropriate and legitimate way of conducting audit' (2012: 237). Auditors in these African countries do not refer to any specific African cultural traits (such as patrimonialism) that would make it difficult for them to implement international (Western) standards for state auditing. All this indicates that we can search for causes of corruption understood as a universal phenomenon and that there is relatively little that speaks for a culturally relativistic understanding of this problem.

Other universal definitions that have been put forward are accountability and transparency (Adserà et al. 2003; Bardhan 2006). The problem is, however, that accountability and transparency are not norms but processes. This is readily understood by the presumption that the head of a group dealing with organised crime is, in fact, held accountable by its members. For accountability to work as a universal definition of corruption, the norm to which agents are held accountable must be defined. The same goes for transparency. If it exists, people will be able to see if certain standards are respected or not, but it is their reaction to eventual breaches of these standards that is important (Lindstedt and Naurin 2010). Thus, while systems for accountability and transparency are necessary processes for controlling corruption, without being coupled to a specified normative standard, they are underspecified as universal definitions of corruption.

What should count as a causal explanation for corruption?

For a long time, the social sciences were plagued by the so-called covering law theory of causality, according to which phenomena are explained by being subsumed under universal causal laws (e.g., Hempel 1965). The fundamental problem of this view, however, is that it lacks the means to distinguish empirical regularities from truly causal processes. Barometers, for example, have a universal tendency (if they work) to drop before the outbreak of storms or hurricanes. But this does not, of course, imply that the falling of barometers explains the change in weather nor that the latter affects the working of barometers. Empirical regularities, even universal ones, thus cannot in themselves be used to infer causality.

Two developments in the philosophy of science have, however, liberated the social sciences from this, now long since dead, notion of what should count as a causal explanation. The first is the counterfactual theory of causality, according to which the defining feature of a causal process is the notion that if the cause had been absent so would the effect (e.g., Woodward 2003; Collins et al. 2004). The second is the idea that in order to explain a phenomenon one must be able to unravel the social mechanism that gave rise to it (e.g., Elster 1983, 1989; Coleman 1990; Hedström and Swedberg 1998). These two theories of causality, the counterfactual and the mechanism-oriented, are best seen as complimentary; neither of them work on its own to provide a satisfactory conception of a causal explanation. What they have accomplished, together, is the foundation for a unified theory of causality for the social sciences.

Starting with counterfactuals, they have brought no less than a revolution to the thinking on causality through parallel developments within disciplines as diverse as statistics, labour economics, epidemiology and artificial intelligence (Pearl 2000; Morgan and Winship 2007). Usually termed the 'unobserved outcome model of causal inference', this today provides a unified theory of causal effects that transcends most of the quantitatively oriented social sciences. Unlike what many qualitatively oriented scholars still seem to presume, the idea behind doing statistics within the social sciences is thus no longer founded on the goal to discover 'covering laws' (if it ever was). This idea has long since been replaced by the ambition

to uncover, and through statistics precisely estimate, the size of causal effects (e.g., King et al. 1994).

Still, two important issues remain within this promising reorientation. Both can be adequately addressed by citing examples from the literature on causes of corruption. The first is the risk of shallow or insufficiently deep causal explanations. Many explanations of corruption have started by comparing countries with high and low levels of corruption. Researchers have been quick to find out that societies with high levels of corruption lack a number of institutional features that countries with low levels of corruption have, such as independent and competent courts, an honest and well-trained civil service, a rule-of-law tradition and effective anti-corruption laws. The problem with such explanations is that a country that has these institutions already has, by definition, also low corruption (Bukovansky 2006). The same can be said about studies that concentrate on values and norms. Very little is gained by stating that a civil service that is infused with strong norms against corruption will have lower corruption (Huberts 2010).

Explanations like these have no or very little explanatory purchase because there is hardly any theoretical distance between the independent and dependent variables. The knowledge we end up with is that honest government institutions cause low corruption and that people lose confidence in public institutions that abuse or misuse their power, which is no different from stating that (dis)honesty explains (dis)honesty. What we need to know is, of course, why some countries came to establish these institutions or norms in the first place.

Relatedly, 'causal effects'-oriented studies of what explains corruption can be inattentive to history and the role of dynamics. For example, some causal factors that have been pointed out are very distant in time from the corruption level that is explained, sometimes by several hundred years (Guiso et al. 2008). This, however, introduces another unexplained feature, namely how practices such as corruption (or non-corruption) are handed down over the generations over such very long periods. Other studies have problems with distinguishing the causes of corruption from its effects. Sandholz and Gray (2003), for example, find that the more a country is integrated in the international community, the lower is its corruption. But are more corrupt countries less prone to enter international organisations or is it the participation in these organisations that alter norms about corruption? Examples such as this abound in the literature on causes of corruption. Some researchers show that social policies reduce corruption (Grimes and Wangnerud 2010), while others show that voters will not support such policies if they believe that the level of corruption is high (Rothstein and Uslaner 2005). Inequality may well cause corruption (Uslaner 2008), but countries with a high level of corruption will find it difficult to get citizens' support for increased spending on programmes that will reduce inequality (Svallfors 2012). A high proportion of women in the political system correlates with less corruption (Dollar et al. 2001; Wängnerud 2012), but maybe it is a less corrupt political system that makes it possible for women to get elected (Sung 2003)? As Lambsdorff has stated, '[r]esearch on corruption is difficult because many causes of corruption also seem to be consequences of corruption' (2006: 4).

It is exactly to avoid these twin pitfalls – the risk of shallow explanations and inattentiveness to issues of temporality – that the complementary theory of causal mechanisms comes in handy. Rather than focusing on the question of what causes corruption, what a mechanism-oriented approach implies is to address the question of why certain factors cause corruption. A case in point is the relationship between economic development and corruption. Countless studies have uncovered this simple and strong empirical regularity:

that richer countries tend to be less corrupt. This relationship cannot simply be dismissed as being based on reversed causality (that corruption causes failed development), since it has even been discovered to span the entire nineteenth century. Even if the level of economic development as measured around 1900 is compared with corruption today, the relationship is strong and persistent (Treisman 2007). But accepting that there is probably a causal process through which development helps combat corruption in the long run is not the same as explaining why this is the case. What are the causal mechanisms involved? Is it that long-term growth brings human capital development such as high education levels, which, in turn, helps combat corruption (Uslaner and Rothstein 2012)? Or does development lead to more efficient tax collection which can be used to reform public-sector payment and thus replace the incentive to collect bribes among public officials? These are just two examples of the potential mechanisms involved. The point of the argument is that not only does correl-ation not imply causation, it is also the case that a causal effect does not imply causal explanation.

Thus, by asking the why question, attention is naturally oriented towards increased explanatory depth (Morgan and Winship 2007: Chapter 8). Moreover, the process-oriented view of explanations based on mechanisms provides more fruitful ground for thinking about dynamic, historical causal processes at the expense of static correlations (Hall 2003; Pierson 2004; Brady and Collier 2010). In essence, then, the plea for mechanisms is a plea for a more theoretically guided assessment of causal effects. Following this dictum, we will in the following section present some of the more well-established findings with respect to what factors appears to have an effect on corruption, followed in the final section by some more general reflections on explanatory theories of corruption.

Institutions or cultural norms?

Since the literature on the causes of corruption is both vast and cross-disciplinary, we can make no attempt to provide a comprehensive review (cf. e.g., Treisman 2007). Our aim is the more modest one of surveying some of the most significant empirical findings from cross-national studies attempting to explain degrees of corruption based on different, mostly expert-based, measures.

Institutional causality I: type of democracy

Democratisation has been a major success in the world during the past four decades. More countries are now seen as democracies than ever before (Diamond 2007; Teorell 2010). For many democratisation scholars (and activists), the hope has been that democratisation would cause lower corruption. Rulers facing increased accountability to voters would try to reduce corruption, and voters would use their power at the ballot box to 'throw the rascals out'. To a surprisingly large extent, however, these hopes are not borne out by the evidence. As stated by Larry Diamond, 'There is a specter haunting democracy in the world today. It is bad governance . . . Governance that is drenched in corruption, patronage, favoritism, and abuse of power' (2007: 119). The empirical correlation between measures of degree of democracy and degree of corruption shows that the curve is U-shaped or J-shaped (Montinola and Jackman 2002; Sung 2004; Bäck and Hadenius 2008). The economy also seems to be important also; Charron and Lapuente (2010) show that it is primarily in more wealthy coun-tries that leaders have an incentive to control corruption while in poorer countries the causal link between wealth, democracy and corruption goes in the opposite direction. New

democracies seem to be more corrupt than autocracies but some quite old democracies (Italy, Jamaica and Greece) get very low scores in the standard measures. In some countries with a high level of corruption, voters do not always punish politicians that stand accused of corruption (Manzetti and Wilson 2007; Chang et al. 2010). However, empirical studies also show that in a number of European countries opposition parties that mobilise on the issue of corruption are quite successful in elections and that parties in government are vulnerable to such accusation (Bågenholm 2010).

But democracies can come in many forms: they can be federal or unitary, presidential or parliamentary, multi-party or two-party and have strong or weak local governments, to name a few possible variants. A number of studies have tried to figure out if some ways of institutionalising democracy are better than others for controlling corruption. Gerring and Thacker (2004) find that unitary and parliamentary forms of government help reduce levels of corruption, while Kunicova and Rose-Ackerman (2005) find that presidential democracies have more corruption than parliamentary ones and that multi-party (proportional) representation systems fare worse than two-party 'first-past-the-post' systems (cf. Persson et al. 2003).

Summarising much of this research, Potter and Tavits (2011) make a more general argument for what they call 'clarity of responsibility' in the political system, which for them is an argument for small electoral districts with majoritarian electoral rules and against multi-party systems and various forms of consensus-based power-sharing, also known as neo-corporatism, since this would make it harder for the electorate to vote against corrupt politicians (see also Johnston 2005). There are, however, important outliers in this research since the five Nordic countries as well as the Netherlands and Switzerland have proportional systems and have been characterised as having quite consensual and neo-corporatist polities, but are in all standard measures seen as having very low corruption. Yet a recent quantitative analysis supports the hypothesis that higher levels of ideological polarisation are correlated with lower corruption (Brown et al. 2011). Moreover, a recent large-scale European survey study of variations in corruption and other forms of low-quality government shows that in some European countries there are huge variations between regions. For example, while some regions in southern Italy get very low scores, some regions in northern Italy are as 'clean' as Denmark (Charron et al. 2012). Thus, a country that has had the same democratic institutions since 1945 (and has been a united polity since 1871) has, according to this study, huge regional variations in its level of corruption. This should serve to caution against seeing formal democratic institutions as a main causal factor behind levels of corruption and instead points at other factors. Maybe it is not the institutional forms as described above that are important but instead how these are *de facto* implemented (Bartory 2012).

Institutional causality II: type of public administration

Another central institution that has been explored in relation to corruption is the character of the public administration. Most studies in this field of research relate to the classic work of Max Weber and his distinction between the patrimonial and rule-of-law-based bureaucratic forms of public administration. For example, much of the pervasive corruption in many African countries has been seen as caused by their 'neo-patrimonial' type of public administration, which is based not on rule-following but on personalistic and/or clientelistic exchanges (Hydén 2006). This has led to a strong focus by many development organisations on improving governance, state capacity and the quality of government (Smith 2007; Norris

2012). In a pioneering study, Evans and Rauch (2000) found strong support for the proposition that a lack of Weberianism in the public administration increased corruption. One problem here is that it is almost self-evident that a rule-based public administration in which the civil servants work according to an 'esprit de corps' for which Weber used the Latin expression *sine ira et studio* (without anger or favour) would have very little corruption. As is well known, Weber's model contains about ten different characteristics, and what we need to know is which of these have a causal effect on corruption. Using a new database constructed to measure quality of government, Dahlström et al. find that neither the relative pay of civil servants nor special job protection or separation of the civil service have an effect on corruption. Instead, they find that 'a recruitment process based on the skills of the candidates, which creates a professional bureaucracy, appears to be the most important feature for deterring corruption' (2012: 666). Since low salaries and the lack of a 'closed' career system in order to create a certain *esprit de corps* have been seen as important causes of corruption in much of this literature, this finding is important. Establishing strict rules for meritocratic recruitment and promotion can be seen as strong 'signals' from the state about respecting the norm of impartiality. The same could of course be said for gender equality.

Institutional causality type III: size of government

Several prominent economists have argued that the root cause of corruption is 'big government'. The logic is straightforward: size will increase opportunities for corruption. As stated by Nobel Laureate Gary Becker (1997: 210), 'to root out corruption, boot out big government'. A similar view is put forward by Alesina and Angeletos (2005: 1234), stating that 'a large government increases corruption and rent-seeking'. Empirical evaluations of this line of causality present us with a very different picture, namely that the relationship between government size and corruption seems to run in the opposite direction (Gerring and Thacker 2004). Standard measures of national levels of corruption and public spending have a positive correlation of 0.39 (Persson and Rothstein 2011). Explanations for this seemingly paradoxical result come from studies in the fiscal sociology of development. One such study based on interviews in Uganda reveals that although they have good information about the high level of corruption among the political elite, citizens do not effectively react against this because they pay hardly any income tax or other direct taxes. This leads to a decreased sense of 'ownership' of the state and consequently a decreased willingness to act against elite-level corruption (Persson and Rothstein 2011). Simply put, citizens in a country like Uganda know about and take a clear moral stand against corruption, but, since it is not 'their money', they see little reason to act (Brautigam et al. 2008). This may also be an explanation for why countries in which the rulers have other sources of income than taxation, such as large natural resources, have higher levels of corruption (Ades and Di Tella 1999; Arezki and Bruckner 2011). In addition, this may also be the reason for why higher foreign-aid levels are generally associated with declines in the quality of governance (Brautigam and Knack 2004).

Social norms type I: generalised trust

Generalised trust has become a central focus of research in many areas, including this one. As an important part of social capital, it empirically correlates both with a number of normatively very desirable states such as economic prosperity and well-functioning democratic institutions, as well as with low corruption (Uslaner 2004). It is usually measured by a survey

question formulated in the following way. 'Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?' As with measures of corruption, there is huge variation between countries of social trust measured in this way. The reason for the existence of a causal link is that in a systemically corrupt society, corruption can be seen as a collective action problem in the sense that even though the public officials know that corrupt practices are hurting their society and thereby themselves in the longer run, in the short run it makes little sense to be 'the only one' that refrains from bribes since such a single act is without importance for corruption as dominant social practice. It is only if you trust that the other agents in your situation do not accept bribes that it can be said to make sense to act honestly. In this way, corruption and low trust can be seen as a social trap situation (Rothstein and Uslaner 2005). The same logic pertains to those who offer bribes. If the local doctor demands bribes for immunising one's children, it makes little sense to be the only one in the village that refuses to pay. Low social trust may thereby be seen as causing corruption.

But, as in so many other cases in this area of research, the causal link may also work the other way around (Chang and Chu 2006; Morris and Klesner 2010). Corruption may cause trust in general to go down in the following two ways. Public officials, not least civil servants at the local level, are supposed to be honest and not use their positions to hand out favours to their relatives, friends or to demand bribes. If it becomes 'common knowledge' that they do, people will think that if you cannot trust these people in your society neither can you trust 'other people in general'. Moreover, in a society with dishonest public officials, it will become 'common knowledge' that in order to get what you need from the authorities (security, health care, various permits, education), ordinary citizens will often have to engage in dishonest behaviour, like corruption. If so, it seems reasonable to make the inference that 'they cannot be trusted'. Dinesen (2011) has tested this by using immigration to Denmark as a 'natural experiment'. What happens to immigrants in low-corruption, high-social-trust Denmark who come from low-trust, high-corruption countries such as Bangladesh or Pakistan? The result is that after some years in Denmark their social trust increases considerably, and the most important factor for this to happen is if they perceive to have been 'even-handedly' treated by the Danish authorities. Experiments with Romanian and Swedish students found the same causal pattern. Agents who experience corruption by local authorities not only lose trust in these authorities, they also lose trust in 'other people' in general (Rothstein 2011: Chapter 7). A third dimension about the importance of generalised trust is that it has been argued that high levels of such trust can serve a functional equivalent to 'clean' government, explaining why some countries, such as China, thrives economically despite high levels of corruption (Li and Wu 2010). The argument is that when the formal institutions cannot be trusted, some societies can rely on trustworthy informal institutions such as a high level of generalised trust.

Social norms type II: religion

Another possible normative factor that could influence corruption is religion. Empirical studies show that countries with a higher proportion of Protestants tend to be less corrupt whereas countries with higher proportions of Catholics and Muslims tend to be slightly more corrupt. However, it has been demonstrated that the relationships between corruption and the percentage of Catholics and Muslims disappears after wealth is controlled for (Connelly and Ones 2008). Similarly, Marquette (2012: 11) argues that studies claiming religion as determining corruption are founded on 'assumptions not borne out of

the evidence'. However, the religious factor is not only a question of 'type' but also a question about intensity. Studies using the World Values Survey have produced a religious-secular index based on six survey questions that make it possible to get a measure of how, on average, religious (or secular) people are in different countries. When this index is correlated with measures of corruption, it is shown that countries with a more secular population are also less corrupt.[1] This is not to say that religion causes corruption, but one can say that at least at the aggregate level, whatever religion does with the moral standards of a society, it does not lower corruption. However, it may not be religion as such but how religious practices have historically been institutionalised and financed. Rothstein and Broms (2011) show that in the Lutheran countries, religious practices have been financed 'from below' in a system where the church wardens and church councils were elected by the local parishes that had the right to tax its members and where surprisingly modern systems for transparency in the form of open bookkeeping and accountability were developed. In sharp contrast to this, the Arab Muslim world developed a system where religious practices were financed by private foundations set up by rich families, mainly to avoid taxes. The power over these foundations (aka Waqifs) has, as a rule, been inherited and no institutionalised systems for accountability, representation or transparency have therefore been developed. Thus, it may not be religion as such but how 'the temples have been financed' that account for the variation in levels of corruption between predominantly Lutheran and Arab-Muslim countries.

General theories explaining corruption

In addition to specific types of causation, there are three more general theories for explaining corruption. The first theory, which we may call the theory of public administration ethics, is based on the notion of agents as motivated primarily by social norms. Following this, the cause of corruption is seen as corrupt agents having the wrong set of norms; thus, the solution is increasing education about these norms among the agents (Thompson 2005; Richter and Burke 2007). There is to our mind no doubt that civil servants and professionals in the public sector often need to reflect upon the ethical dimensions of what they do. However, as a causal factor behind corruption, 'bad ethics' is more problematic. To some extent, this understanding of the problem demonises the whole culture in deeply corrupt societies. However, as mentioned above, there is not much empirical evidence for saying that systemic corruption is caused by 'bad norms'. On the contrary, as shown above, even in severely corrupt settings, what counts as corruption is by and large universally understood, and most agents agree that corrupt acts are morally unjustified.

A very different theory, that can be said to dominate large parts of the field, is the principal–agent theory, which starts from a very different notion about agents, namely that they are self-interested rational utility-maximisers (Rose-Ackerman 2011). In this theory, the central idea is that there is an honest principal (e.g., the prime minister) who has to deal with opportunistic agents (e.g., civil servants). If presented with the opportunity, rational rent-seekers misuse the power and resources entrusted to them for their own purpose instead of following the intentions of the honest principal (Klitgaard 1988; Persson et al. 2000; Rose-Ackerman 2004). One problem with this approach is that in a thoroughly corrupt system it is difficult to identify who such a benevolent principal might be. For example, the political elites are often the ones who stand to gain the most from rents in a corrupt system, and they therefore have no incentive to change the system

(Johnston 2005). Another idea in this approach is that 'the people' is the (honest and benevolent) principal, and the political leaders are the corrupt agents. The problem here is that, as stated above, in a severely corrupt system, the evidence that democratic elections work against corruption is simply not at hand. Moreover, if corruption did work according to the 'principal–agent' model, it would be pretty easy to erase just by changing the incentives. Anti-corruption would be a simple thing: principals need to incrementally increase the negative pay-off for cheating and corruption (including the risk of being caught) to a point where the fear of being caught is higher than the greed that leads agents to engage in corruption. When a society is constructed so that fear is larger than greed, things would go well. But apparently corruption in systemically corrupt countries is not that easily rooted out (Persson et al. 2012).

A third approach known as the 'social trap' or 'collective action' theory of corruption starts from the presumption that what agents do depends on what they think the other agents will do. As Fehr and Fischbacher (2005: 259) state, '[i]f people believe that cheating on taxes, corruption and abuses of the welfare state are widespread, they themselves are more likely to cheat on taxes, take bribes, or abuse welfare state institutions.' This is thus the reason why high levels of generalised trust are strongly correlated to low levels of corruption. This theory also provides an explanation for why in a thoroughly corrupt setting, even people that think corruption is morally wrong are likely to take part because they see no point in, or cannot afford, doing otherwise (Della Porta and Vannucci 1999; Karklins 2005). Corruption in these settings is a self-enforcing equilibrium (Aidt 2003). From a policy perspective, understanding systemic corruption as a collective-action problem has important implications. The important thing will be to change agents' beliefs about what 'all' the other agents are likely to do when it comes to corrupt practices. Most agents have to start trusting most other agents to refrain from corrupt practices. One can think of this as the need to reach a 'tipping point' in order to reach a new equilibrium (Schelling 1996). This speaks against incrementalism and instead points at the importance of 'big bang' type of change (Rothstein 2011: Chapter 5). How such large-scale changes can be brought about is unfortunately not known.

Lastly, some scholars have been arguing that asking for the causes of corruption is a patently wrong question because it takes as the default position that it is corruption that needs to be explained. However, with a more broad view of corruption including things such as nepotism, favouritism and clientelism in politics, Mungiu-Pippidi (2011) has argued that this should, historically and also contemporarily, be seen as the 'default position'. Over recorded historical time and also in the contemporary world, most people who manage to get a position of power in the public sector try to use it to further their personal, factional, family, clan, party or other such particularised interest (North et al. 2009; Fukuyama 2011). What needs to be explained is why, in quite a few countries, and historically only since a few centuries, a norm has been established that, when having such a position, the appropriate thing to do is to abstain from using one's power for whatever factional or particularistic interests one may have and instead be guided by some idea of serving 'the public good'. According to this line of reasoning, it is the establishment of norms such as being impartial and looking away from one's personal interests when implementing laws and policies that needs to be explained; the opposite is, unfortunately, the 'normal state'.

This brings us, as a final observation, to another insight from the mechanism as opposed to causal effects centred view of causality: the need for carefully crafted and theoretically informed case studies. The appearance of cross-national measures of corruption has spawned

an industry of quantitative cross-national studies of corruption. There is, however, still a dearth of case-study research on the theoretical mechanisms driving corruption – its development, persistence and rare abolishment through time. This is where we envision the future of the study of causes of corruption.

Note

1 Calculation by author based on the Quality of Government Institute Data Set, see www.qog.pol. gu.se.

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7

WHAT DOES CROSS-NATIONAL EMPIRICAL RESEARCH REVEAL ABOUT THE CAUSES OF CORRUPTION?

Daniel Treisman

During the past fifteen years, empirical studies of corruption – understood as the misuse of public office for private gain – have mushroomed. The main impetus has been the publication of cross-national indexes of 'perceived corruption', first by the organisation Transparency International and then by a team of economists at the World Bank. These ratings aggregate the assessments of international risk analysts, business executives, other experts and survey respondents from the countries in question. Scholars have found that higher perceived corruption, measured in this way, correlates with a variety of plausible explanatory factors.

The assumption behind such work has been that these indexes of perceived corruption were a possibly noisy but nevertheless unbiased indicator of the actual extent of corruption. An early question that was perhaps given too little attention was how experts would be able to accurately assess this (while the methodology for aggregating the expert assessments was described in detail, how the experts arrived at their ratings was never explicit). Still, the approach seemed defensible as long no other cross-national data existed for a large number of countries, and as long as there was no compelling reason to suspect systematic error.

As other sources of information about corruption levels have become available, however, doubts have increased. A number of surveys have asked country residents whether they or a household member had been expected to pay a bribe in any form in the preceding year. Other surveys of business managers have asked how often firms like theirs were expected to pay bribes to officials in return for public services. The country averages of such 'experience-based' indicators of corruption turn out to correlate quite imperfectly with the perceived corruption measures. While the highly developed democracies have low estimates of corruption by either measure, among less developed countries the reported frequency of bribe demands and the perceived level of corruption often diverge widely.

In this review, I briefly summarise results of studies of the perceived corruption indexes, discuss the problems with the data and present the results of analysis of the correlates of one experience-based measure.

Analysing perceived corruption

The two indexes of perceived corruption most often used in empirical work are the Corruption Perceptions Index (CPI) of Transparency International (TI) and a rating of control of corruption constructed by Daniel Kaufmann and colleagues at the World Bank (WB).[1] Both aim to reduce measurement error by averaging a number of different sources. Although the method of aggregation and country coverage differ somewhat, the resulting measures correlate very highly (for instance, r = .98 in 2004). TI's ratings have been available annually since 1995; the WB estimates were biannual from 1996 to 2002 and have been annual since then. Coverage for both has increased over time, reaching 185 countries (TI) and 210 countries (WB) in 2010–11. In addition, some scholars have analysed cross-national ratings of the level of corruption produced by the risk analysts Business International and Political Risk Services (which publishes the International Country Risk Guide).

Studies have found that lower perceived corruption, using these measures, correlates with higher economic development (La Porta et al. 1999; Ades and Di Tella 1999; Treisman 2000); more democratic government (Treisman 2000: Montinola and Jackman 2002); more press freedom (Adsera et al. 2003; Brunetti and Weder 2003); parliamentary rather than presidential constitutions (Panizza 2001; Gerring and Thacker 2004; Kunicová and Rose-Ackerman 2005; Lederman et al. 2005); plurality electoral systems rather than proportional representation (PR, especially closed-list PR) (Persson et al. 2003; Kunicová and Rose-Ackerman 2005); smaller districts in open-list PR systems (Chang and Golden 2007); political centralisation rather than federalism (Goldsmith 1999; Treisman 2000; Gerring and Thacker 2004; Kunicová and Rose-Ackerman 2005); fiscal decentralisation (Fisman and Gatti 2002); a Protestant tradition (La Porta et al. 1999; Treisman 2000); a history of British colonial rule (Treisman 2000); low natural-resource endowments (Ades and Di Tella 1999); low ethno-linguistic fractionalisation (La Porta et al. 1999); openness to international trade (Ades and Di Tella 1999; Sandholtz and Koetzle 2000; Treisman 2000; Sandholtz and Gray 2003; Gerring and Thacker 2005); less intrusive state regulation (Treisman 2007); low inflation (Braun and Di Tella 2004); and greater representation of women in the legislature and government (Dollar et al. 2001; Swamy et al. 2001). Not all of these results are robust to the inclusion of additional controls, the use of data from different years or the inclusion of different sets of countries (Treisman 2007).

Doubts about the measures

However, serious questions have been raised about whether the perceived corruption measures capture cross-national differences in corruption levels or just differences in countries' reputations, based in part on prevailing stereotypes and media coverage. Such doubts have been fueled by a number of studies within particular countries that compared expert or popular evaluations to some more objective measure of the actual corruption level – and detected little or no relationship between the two.

Olken (2009) found that Indonesian villagers' assessments of the degree of corruption in local road-building projects were only weakly related to the actual level, as estimated by engineers who examined the roads' quality and inferred the associated levels of kickbacks. Rose and Mishler (2010) found that, among survey respondents in Russia in 2007, perceptions of the prevalence of corruption were unrelated to actual experience of it. For instance, while 89 per cent thought that most police officers were corrupt, only 5 per cent said that during the previous two years they or a household member had found it necessary to pay a bribe to one. A respondent's perception of the extent of bribery was not significantly

associated with either the number of contacts he had had with officials or the number of bribes he had paid; however, such perceptions were related to the respondent's exposure to media stories about corruption. Razafindrakoto and Roubaud (2010) surveyed both country experts and residents of eight African countries and found that the experts grossly overestimated the extent of corruption that the residents would report; across countries, there was no correlation between the experts' perceptions and the population's experience.

In recent years, more surveys have begun questioning both the public and firm managers about their concrete experience with corruption. For instance, since 2004, TI has, in its Global Corruption Barometer (GCB), asked respondents whether they or any member of their household had paid a bribe to any public official during the previous twelve months. The incidence of corruption estimated from such survey questions does correlate across countries with levels of perceived corruption. However, especially among those countries considered more corrupt, there are large gaps between opinions and reported experience.

Figure 7.1 illustrates the problem. I have plotted TI's CPI against its GCB measure of the frequency with which respondents report having paid bribes, averaging both variables for all available years between 2004 and 2011 in order to avoid being misled by short-term fluctuations. The two series are correlated at r = −.63 (for the CPI, high numbers are associated with lower corruption, so the correlation is negative). Rich democracies cluster in the bottom right-hand corner of Figure 7.1, where reported bribes and perceived corruption are both low. Some poor autocracies or troubled democracies, such as Liberia and Uganda, have both high reported bribes and high perceived corruption.
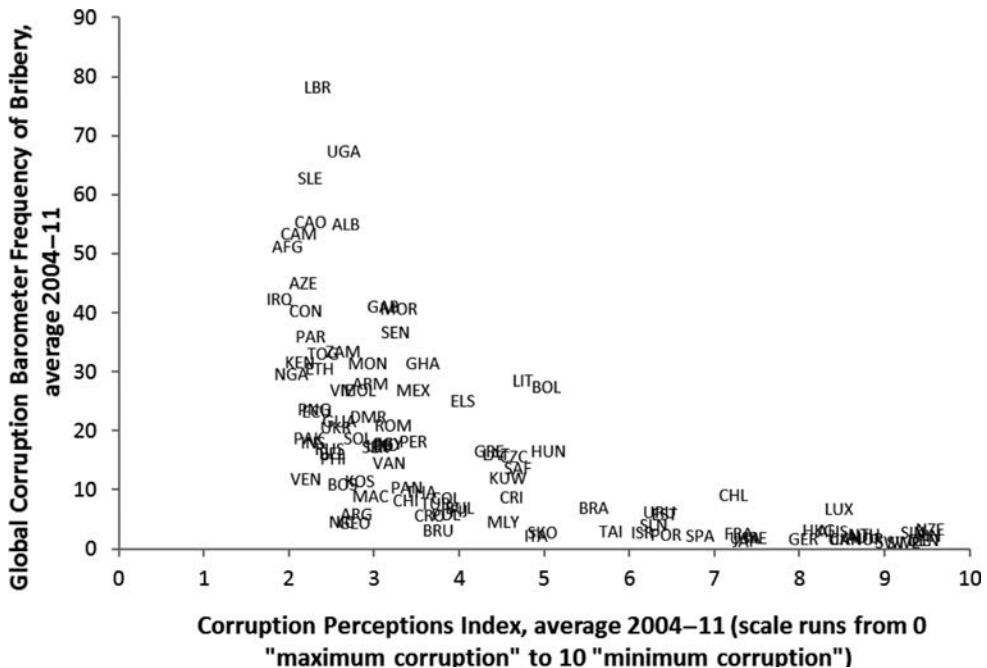
Figure 7.1 Corruption perceptions and corruption experience, 2004–11.

Sources: Data downloaded from Transparency International website, and provided to author by Transparency International.

Note: GCB: percentage of respondents saying they or household member had paid a bribe during preceding 12 months.

But rather than a downward sloping line, the graph traces the shape of an 'L'. Many countries that are rated the same on one dimension have widely divergent scores on the other. In Macedonia and Chile, about the same proportion of survey respondents said that they or a household member had paid a bribe during the previous year. Yet Chile is perceived to have little corruption (about as much as in Japan), whereas Macedonia is considered to be extremely corrupt (comparable to Uganda). At the same time, Liberia and Nicaragua are perceived to be about equally corrupt; yet while 78 per cent of Liberians on average report having paid bribes the previous year, only 5 per cent of Nicaraguans say the same. Moreover, analyses of the determinants of corruption find that many factors that explain countries' perceived corruption – from media freedom to the empowerment of women – do not correlate strongly with experience-based measures (Treisman 2007; Weber Abramo 2008; Donchev and Ujhelyi, no date).

One possible explanation is that the two indicators measure different types or dimensions of corruption. However, given the uncertainty about exactly what the perceived corruption indicators measure (constructed, as they are, from multiple sources, using different questions), such rationalisations seem *ad hoc*. All one can really say is that the CPI is measuring something somewhat different from what the GCB question is measuring, but whether that is another dimension of corruption or something else entirely cannot easily be determined. Another possibility is that the experts, country residents and journalists whose writing about governance informs global opinion are themselves influenced by folk theories about what causes corruption. When asked how widespread corruption is in a given country, lacking any direct information, they then rely on such theories, inferring that countries where the government is authoritarian, hostile to the media, mineral-rich, protectionist and misogynistic must also be more corrupt. If this is the case, it is not surprising or informative that these same characteristics of states correlate with high perceived corruption.

Experience-based measures have their own problems. Since bribery is illegal, asking about individuals' or firms' own experiences with it may elicit insincere answers. Most surveys go to some lengths to reassure respondents that their answers will remain anonymous. Some inquire only whether the respondent was 'expected to pay a bribe', rather than whether he actually paid one. Some ask about 'firms like yours' rather than the respondent's own enterprise, in the hope of thus eliciting information based on direct experience without the respondent having to incriminate himself. Still, such questions may prompt high non-response rates or underreporting. Azfar and Murrell (2009), using two surveys of businesses in Romania – one of which employed the technique of randomised response – estimated that the reported incidence of corruption was about one-third too low because of respondents' reticence. Such underreporting is probably not random across countries. Analysing the World Bank's Productivity and Investment Climate Private Enterprise Surveys, Jensen, Li and Rahman (2010) found that the non-response rate to a question on corruption was somewhat higher in countries with lower press freedom.

Could the reticence of respondents explain the poor match between the GCB and CPI measures in Figure 7.1? Does underreporting in corrupt but repressive autocracies generate the low frequency of bribery reports in countries believed by the experts to be highly corrupt? Apparently not. On the assumption that the CPI captures the true frequency of bribery, one can derive a measure of 'underreporting' by regressing the frequency of bribery reported on the GCB on the corresponding CPI score. The residuals from this regression measure (negatively) how much rarer bribery is than one would expect given corruption perceptions. In countries with large negative residuals, such as Nicaragua or Argentina, respondents report bribery much less often than these countries' CPI scores would lead one to expect.

If such 'underreporting' is caused by authoritarian institutions or lack of media freedom, these residuals should correlate positively with measures of democracy and freedom of the press (a large negative residual – suggesting bribe reports are rarer than expected given perceptions – should accompany a low score for democracy and media freedom). In fact, the correlation is slightly negative (r = −.27 using the Polity2 democracy score and r = −.11 using Freedom House's press freedom index, reversed so that higher scores indicate greater freedom). In other words, the gap between perceptions and first-hand reports is not greater in more authoritarian countries with less freedom of speech and the press; if anything, it is smaller in such countries. Respondent reticence in repressive countries may well be a problem for the accuracy of experience-based corruption measures, but it does not explain why the GCB and CPI diverge.

Correlates of experience-based corruption measures

Some scholars, myself among them, have concluded from the preceding considerations that cross-national comparisons should focus on experience-based measures and that more numerous and sophisticated versions of these should be constructed. To date, there are two main categories of such measures: those that focus on bribes extracted from ordinary citizens and those that assess the bribes paid by businesses. TI's GCB Survey exemplifies the first type. Another citizen-based measure comes from a cross-national survey conducted by the United Nations Interregional Crime and Justice Research Institute (UNICRI) in the late 1990s. The researchers asked respondents whether in the preceding year 'any government official, for instance a customs officer, police officer or inspector' had asked or expected them to pay a bribe for his services.[2] Among surveys focused on businesses, the World Bank's World Business Environment Survey (WBES) regularly interviews managers in a large number of countries and asks whether it is common in the respondent's line of business, when dealing with state officials, to 'have to pay some irregular "additional payments" to get things done'. Every few years, the World Bank and the European Bank for Reconstruction and Development jointly poll company executives in post-communist countries for the Business Environment and Enterprise Survey.

The search for determinants of experience-based measures is less advanced than the analysis of corruption perceptions. Fan et al. (2009), using the 2000 WBES data, found that firms reported having to pay bribes more often in countries where income per capita was lower. Greater administrative decentralisation, as captured by the number of tiers of government, was associated with more frequent bribery, while fiscal decentralisation correlated with less frequent solicitations. There were no robust relationships with democracy, mineral resources, openness to trade, Protestant tradition or former British colony status. Treisman (2007) examined data from the GCB, UNICRI and WBES to see whether previously noted correlates of perceived corruption could also explain the frequency of bribery reported in these surveys. The only reasonably consistent result was for economic development (reported experience with bribery was more common in poorer countries). Measures of costly regulation, mineral dependence and openness to trade were sometimes significant in the expected direction, but not consistently so. However, the number of countries included in these surveys was relatively low, never rising above fifty-five in the regressions presented, which, in addition to the problem of respondent reticence, suggests some caution.

Since then, more years of GCB data have accrued, making it possible to expand the analysis. In Table 7.1, I examine the reported frequency of bribery, averaged across the six GCB surveys conducted between 2004 and 2010. (See also Table 7.2.) Averaging should

Table 7.1 Percentage reporting bribes paid in preceding year, GCB, average 2004–10

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Colonial history								
British	7.01							
	(6.27)							
Spanish/Portuguese	3.59							
	(5.42)							
French	24.25★★★			13.20★★★	11.19★★	10.94★	10.06★★	9.27★
	(6.47)			(4.41)	(4.92)	(5.67)	(5.02)	(5.51)
Other colony	4.68							
	(5.50)							
Legal family								
British common law		−3.84						
		(5.42)						
French civil law		−2.86						
		(4.11)						
German law		−20.58★★★		−5.36	−.31			
		(3.35)		(3.50)	(2.64)			
Scandinavian law		−20.92★★★		10.57	−2.19			
		(3.34)		(8.26)	(6.30)			
Religious adherents								
Catholic %			−.05					
			(.04)					
Protestant %			−.15★★★	−.21★★	.00			
			(.05)	(.08)	(.06)			
Muslim %			.12★	.10	.03			
			(.06)	(.06)	(.05)			
Ethno-linguistic fract.								
Elf 1985				21.42★★★	−3.37			
				(7.98)	(6.51)			

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Economic development								
Ln GDP per capita PPP 2003					−10.45*** (1.61)	−9.84*** (1.66)	−9.21*** (1.58)	−9.61*** (1.78)
Oil and gas income per capita					.66** (.32)	.53 (.32)	.25 (.25)	.35 (.26)
Democracy								
Polity2						−.39 (.47)	−.71 (.47)	−.78 (.53)
FH press freedom (high=free)						.04 (.10)	.02 (.10)	.06 (.11)
In bottom fifth on FH press freedom							−18.63*** (5.51)	−13.15** (5.75)
Institutions								
Presidential system								.76 (1.38)
Pure proportional representation system								1.76 (2.77)
Mixed PR/plurality system								4.35 (3.98)
No direct elections								−9.06* (5.01)
Constant	11.73*** (4.96)	22.58*** (3.33)	19.63*** (3.38)	8.24** (3.69)	109.72*** (16.18)	103.16*** (13.38)	101.89*** (13.04)	100.76*** (15.41)
R^2	.1496	.1155	.1310	.3298	.6532	.6359	.6653	.6770
N	99	95	99	93	90	90	90	89

Table 7.1 Continued

	(9)	(10)	(11)	(12)	(13)	(14)
Colonial history						
French	9.67**	none	11.14*	11.40**	12.95**	10.39**
	(4.65)		(5.81)	(4.90)	(5.37)	(4.38)
Economic development						
Ln GDP per capita PPP 2003	−8.73***	−7.73***	−9.28***	−8.00***	−7.19***	−6.70***
	(1.27)	(1.70)	(1.51)	(1.26)	(1.18)	(.87)
Democracy						
Polity2	−.73**	−1.72***	−.67**	−.70*	−.72**	−.73**
	(.29)	(.52)	(.32)	(.36)	(.32)	(.31)
In bottom fifth on FH press freedom	−19.75***	−33.54***	−17.00**	−18.06***	−18.36***	−16.92***
	(5.26)	(8.99)	(7.63)	(6.35)	(4.94)	(5.23)
Institutions						
Federal	−2.62					
	(2.26)					
Subnational expenditure Share		−.01				
		(.07)				
Tiers of government			−.87			
			(1.53)			
Gender						
Women in lower house, %				−.05		
				(.18)		
Women in government, %				.03		
				(.11)		
Economic policy						
Imports (% GDP)					.00	
					(.04)	
Average of Ln inflation, 2000–05					.35	
					(1.67)	

Regulation

Cost of starting a business, 2005					.029***
					(.005)
Constant	99.36***	99.35***	106.64***	92.20***	83.58***	79.15***
	(12.21)	(15.01)	(16.94)	(11.60)	(14.47)	(9.10)
R^2	.6676	.6398	.6687	.6580	.6550	.6896
N	90	51	86	87	87	89

Sources: See Table 7.2.

Note: Robust standard errors in parentheses. * p < .10, ** p < .05, *** p < .01.

Table 7.2 Data used in Table 7.1

Variable	Notes	Sources
Average percentage reporting they or household member had paid bribe in previous 12 months	Country averages calculated using sampling weights	Global Corruption Barometer, data provided to author by Transparency International.
Colonial history		Treisman (2000)
Legal family		Global Development Network Growth Database, NYU, www.nyu.edu/fas/institute/dri/global%20 development%20network%20growth%20database.htm
Religious adherents	Per cent of the population adhering to given religion	La Porta et al. (1999)
Elf 1985	Probability that two randomly selected individuals from a given country will not be from same ethnolinguistic group, 1985	Philip G. Roeder. 2001. 'Ethnolinguistic Fractionalization (ELF) Indices, 1961 and 1985' http/:weber.ucsd.edu\ proeder\elf.htm
Ln GDP per capita PPP 2003	Purchasing power parity estimates, in current international dollars	*World Development Indicators & Global Development Finance,* The World Bank, April 2008
Oil and gas income per capita	Total value of all oil and gas produced in country during the year, valued at world prices in dollars, divided by population, for 2004	Michael L. Ross, 2011–04, 'Replication data for: Oil and 'Gas Production and Value, 1932–2009', http://hdl.handle.net/1902.1/15828 UNF:5:Hwe3jAjxG7fgOMzpGQXOxw== V4
Polity2	Polity2 score (+10: pure democracy to -10: pure autocracy), for 2004	Polity IV database, September 2009 version, www.systemicpeace.org/polity/polity4.htm
FH press freedom (high=free)	Freedom House, index of press freedom, scale reversed so that higher numbers refer to greater freedom, for 2004	www.freedomhouse.org/report-types/freedom-press
Presidential system	Parliamentary system = 0, Assembly-elected President = 1, Presidential System = 2, for year 2000.	Thorsten Beck, George Clarke, Alberto Groff, Philip Keefer, and Patrick Walsh, 2001. 'New tools in comparative political economy: The Database of Political Institutions.' 15:1, 165–176 (September), World Bank Economic Review.
Proportional representation system and mixed PR/plurality system	2004	From Institute for Democracy and Electoral Assistance (IDEA), using 5-category breakdown, as in Pippa Norris, *Democracy Crossnational Data,* Release 3.0 Spring 2009, at www.hks.harvard.edu/fs/pnorris/Data/Data.htm.

Variable	Description	Source
Federal	Classified as a federation by Elazar, plus Ethiopia, Serbia–Montenegro, and Bosnia–Herzegovina, which became federal after Elazar's article.	Elazar, Daniel J. 1995. 'From Statism to Federalism: A Paradigm Shift,' *Publius*, 25, 2, pp.5–18; author's updates.
Subnational expenditure share	Subnational share of expenditures, average for 1995–2000, available years, as percentage of total expenditures.	IMF Government Finance Statistics, as in World Bank Fiscal Decentralization Indicators, www1.worldbank.org/publicsector/decentralization/fiscalindicators.htm
Tiers of government	A territorial unit, X, represents a tier of government if all the following conditions are met: 1. X has a government, or at least a governor. 2. X represents a level of general administration, not just a provider of a particular public service. 3. The territory of the next highest tier, Y, is (at least in some parts) subdivided into units of type X. Note that a tier may or may not have a legislative council, and its executive may or may not be elected.	Daniel Treisman, *Decentralization Dataset*, 2008, available at: www.sscnet.ucla.edu/polisci/faculty/treisman/Pages/unpublishedpapers.html
Women in lower house, %	Percentage of women in lower house of parliament, 2004 (IPU 2004)	Norris (2009), 'From International Parliamentary Union, in Norris P. (2009) 'Democracy Cross–national Data, Release 3.0 Spring 2009', available at http://www.hks.harvard.edu/fs/pnorris/Data/Data.htm
Women in government, %	Women in government at ministerial level (as % of total) 2005 (UNDP 2007)	Norris (2009), 'From UN Development Program, in Norris P. (2009) 'Democracy Cross–national Data, Release 3.0 Spring 2009', available at http://www.hks.harvard.edu/fs/pnorris/Data/Data.htm
Imports (% GDP)	Imports of goods and services as % GDP, 2003	*World Development Indicators & Global Development Finance*, The World Bank, April 2008
Average of Ln inflation, 2000–5		*World Development Indicators & Global Development Finance*, The World Bank, April 2008
Cost of starting a business, 2005	Cost to start a business (% of income per capita)	World Bank, *Doing Business* data downloaded April 2012, www.doingbusiness.org/data

reduce noise, and it also permits one to include more countries, since those surveyed differ somewhat from year to year. Among explanatory variables, I include those hypothesised to be important in previous work. These relate to countries' political and legal history, their religious traditions, ethnic composition, economic development, political institutions, representation of women in politics and economic and regulatory policies.[3] My strategy, as in Treisman (2000), is to introduce explanatory variables in rough order of their historical precedence, that is, starting with those for which the cross-national variation was determined in the distant past and progressing gradually to those which continue to change from day to day. The idea is to move down the causal chain, identifying the additional contribution of temporally posterior factors and observing how coefficients change as new variables are introduced. Factors that prove consistently insignificant are dropped from subsequent models.

Of course, this is an imperfect solution to the problem of endogeneity. Many of the explanatory factors, from the level of economic development to the choice of political institutions, may themselves be influenced by the level of corruption. Unobserved characteristics of countries may affect both corruption and the independent variables, producing spurious correlations. Unfortunately, none of the standard remedies for endogeneity works well in this setting. It is extremely hard to find defensible instruments for the various explanatory variables; almost any country characteristic that one might nominate could also affect corruption directly or could influence other explanatory variables. For obvious reasons, one cannot experiment on the historically formed cross-national variation in corruption. What experiments can be designed are necessarily local and concern only policies or features of the environment that are easy to manipulate. (One cannot, for instance, change the religious beliefs of countries' populations in order to see how this affects corruption.) Perhaps, as the number of annual surveys increases, it will become possible to analyse corruption measures in a panel with country-fixed effects to control for unobserved heterogeneity, but I am not aware of any convincing efforts to do this yet.[4] Meanwhile, one should treat analyses of the correlates of experience-based corruption measures as suggestive but certainly not conclusive evidence of causal relationships.

I start, in columns 1–3, by examining how countries' colonial histories, legal families and religious traditions correlate with the extent to which citizens report being expected to pay bribes today. (The excluded categories are, respectively: never colonised, socialist legal family and percentage of the population that is not Protestant, Catholic or Muslim.) In regressions with no additional controls, corruption tends to be higher in former French colonies and countries with more Muslim adherents; it tends to be lower in those with German or Scandinavian-style legal systems and with more Protestants. The German and Scandinavian legal tradition variables seem to be picking up the same thing as the measure of Protestantism – the former become less significant and the latter more so when both are included together, in column 4. This column also suggests that greater ethnic fragmentation is associated with higher corruption.

However, all the historical, legal, religious and ethnic effects, except for French colonial history, disappear once one introduces economic development, in column 5. One interpretation of the change from column 4 would be that Protestantism and ethnic homogeneity foster economic growth but have no direct effect on corruption. Higher income per capita is strongly associated with less corruption, and higher income from oil and gas is weakly linked to more of it. Controlling for economic development, media freedom is not related to the level of bribery in a linear way. Nor is democracy in the simplest model (column 6).

The effect of these variables might be obscured by underreporting among countries with more repressive institutions, as discussed in the previous section. To adjust for this, in column 7

I include a dummy for countries in the bottom 20 per cent on Freedom House's press freedom scale. (The countries in this category for which all other variables are available are Belarus, China and Vietnam.) This turns out to be highly significant; in these countries with very low press freedom, the frequency with which respondents report bribery is more than 10 percentage points lower than one would expect given the other factors. Either the authoritarian regimes in Belarus, China and Vietnam are more successful in fighting corruption than countries with somewhat greater freedoms or the respondents in these countries are substantially underreporting demands for bribes. Beyond the bottom 20 per cent, differences in press freedom do not correlate with corruption, but adjusting in this way does increase the estimated effect of democracy, which becomes statistically significant in some subsequent models.

Neither proportional representation nor mixed electoral systems were associated here with significantly more corruption than plurality systems, and presidential democracies did not differ significantly from parliamentary democracies (column 8). (The control for no direct national elections picks up just China, so the low press freedom dummy now represents just Vietnam and Belarus.) Controlling for political institutions eliminates the effect of oil and gas income, suggesting that if there is a resource curse that leads to greater bribe extraction from individuals, it operates through the effect of natural resources on institutions. (There might, of course, be direct effects of natural resource wealth on bribe extraction from businesses, which are not captured by the GBC.) None of the measures of political decentralisation that I tried proved significant. This differs from the results of Fan et al. (2009), perhaps because problems created by multi-level regulatory structures impinge more seriously on businesses (as captured by the WBES survey) than on individuals (studied here). Unlike in some analyses of perceived corruption, I found no effects of the representation of women in parliament or government, the inflation rate or the degree of openness to trade. But bribery did tend to be higher in countries with higher values of one measure of regulatory red tape – the estimated cost of starting a business.

These results change little if one includes continent dummies – in fact, some are stronger – suggesting that they are not picking up mere regional differences. The French colonial history dummy is apparently not capturing the effect of a French-style civil law system, which is found in a much larger set of countries, including many former Spanish colonies. Some other aspect of French colonial administration must be at work – or perhaps some characteristic of the countries the French colonised (those in the data are mostly in West Africa but also include Algeria, Morocco, Syria, Cambodia and Haiti). As in previous studies, using just about any measures, the strongest and most robust finding is that corruption is less widespread in more economically developed countries. The direction of causation is harder to establish, and there are plausible arguments running in both directions. On the one hand, corruption may impede growth (Mauro 1995). On the other hand, economic development could reduce corruption by various mechanisms, including by increasing the average level of education, which empowers citizens to complain effectively about mistreatment (Botero et al. 2012).

Conclusion

A variety of studies have examined the determinants of corruption perceptions. However, the possibility that experts and poll respondents infer a country's level of corruption from their knowledge of observable country characteristics raises questions about research that uses observable country characteristics to explain the level of perceived corruption. Analyses of experience-based measures, derived from surveys that ask about respondents' own

experiences with bribery (or those of family members or 'firms like theirs'), turn up rather fewer plausible and robust correlates of corruption. Such measures may, in turn, suffer from respondent reticence.

Analysing one cross-national measure of individuals' experience with bribery and adjusting for the possibility of underreporting in countries with little press freedom, I showed that the reported frequency of bribery was consistently higher in former French colonies, in less developed and less democratic countries (except in a few with very low press freedom, where respondents' candor might be questioned) and in those with more regulatory red tape, as proxied by the cost of starting a firm. Economic development, democracy and the regulatory environment may all be influenced by traditions of corruption, so the direction of causation should not be assumed. Various factors found to be significant in studies of perceived corruption, including the electoral system, presidentialism, decentralisation, female representation, trade openness and inflation, failed to show any robust influence here.

Notes

1 Details can be found at http://cpi.transparency.org/cpi2011 and http://info.worldbank.org/governance/wgi/index.asp (accessed 29 July 2014).
2 For details and data, see www.unicri.it/documentation_centre/publications/icvs/statistics.php.
3 For discussions of the theoretical arguments behind such variables, see Treisman (2000, 2007).
4 The use of corruption perceptions data in panels is particularly problematic for reasons reviewed in Treisman (2007).

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8

BUREAUCRACY AND CORRUPTION

Carl Dahlström

Introduction

A well-structured and efficient public administration is a fundamental attribute of civilised society and essential for the state-building process, which also means that it has influenced prosperity over the centuries (Fukuyama 2011; Mann 1986, 1993; Tilly 1985). An 'impartial' (Rothstein and Teorell 2008) or 'impersonal' (North et al. 2009) treatment of citizens by the public administration is a basic quality in well-functioning states, and, corruption being the opposite of impartiality, the role of public administration is important to understand – for its own sake and also because the flaws of the administration are likely to spread to the society at large, with crippling, long-term effects.

'Public administration', 'bureaucracy' and 'corruption' are vague concepts. This chapter will therefore discuss only some elements of them. I use the term 'public administration' in referring generally to different ways of organising the public sector in a nation-state. When discussing the effect of the public administration on corruption, most scholars start from the way the ideal, typical bureaucracy was described by Max Weber at the beginning of the twentieth century (Weber 1978, Chapter 11; concerning Weberian bureaucracy and corruption, see, for example, Rauch and Evans 2000). When I use the term 'bureaucracy' in this chapter I therefore use the word in its Weberian sense.

However, even if the analysis is limited to Weberian bureaucracy, it is still inclusive. The Weberian ideal type incorporates different features, such as the principle of office hierarchy, the specialisation of tasks and the bureau organisation, and the terms for recruitment and employment in office-holding (Weber 1978: 956–8). Instead of discussing all parts of a Weberian bureaucracy, this chapter will concentrate on a few suggestions stemming from what might be called human relations in a Weberian bureaucracy. Weber put much emphasis on the position of the official within a bureaucracy. He described a basic set of ideas of how human relations should be organised in a 'modern bureaucracy', including terms for recruitment, salaries and promotion (Weber 1978: 956–9).

Scholars have put forth several proposals on how to fight corruption, based on Weberian ideas. For example, it has been suggested that a meritocratically recruited administration hampers corruption (Dahlström et al. 2012), that an administration with strong *esprit de corps* makes it harder for corrupt practices to occur (Rauch and Evans 2000), and that full-time

employment and relatively high public employee salaries diminish the incentives for corruption among bureaucrats (Besley and McLaren 1993).

To understand how public administration affects corruption, we should probably also make a distinction between different levels of corruption. This chapter follows a strand in the literature that makes a difference between grand and petty corruption. Here I refer to grand corruption as misuse of public office on the higher levels within the state (Rose-Ackerman 1999: 27). The most extreme examples are cases of 'state capture', which refer to situations where top politicians and administrators join forces with private actors in order to use the state as a vehicle for private income (Hellman et al. 2003). Corruption on this level is sometimes called 'political corruption' but as this type of corruption generally involves both politicians and administrators, the term 'grand corruption' is probably more suitable.[1]

With the term 'petty corruption', on the other hand, I refer to bribes and other direct and illegal perks to street-level bureaucrats. Typically, in 'petty corruption "private" citizens (often owners of businesses or managers of firms) are engaged in dealing with low-level government bureaucrats', who they in some way depend on for licensing, approval or something similar (Lambert-Mogiliansky et al. 2007: 352). Consequently, petty corruption usually only involves administrators and not politicians. However, as Susan Rose-Ackerman (2006: xix) notes, petty corruption can be organised in a way that systematically 'favor[s] political allies', and there is thus a point where petty and grand corruption merge. It may be good to note already now that petty corruption does not need to be a smaller problem than grand corruption; several studies have demonstrated the misery that follows in the footsteps of petty corruption (Lambert-Mogiliansky et al. 2007; see also Holmberg et al. 2009 for an overview of the consequences of corruption).

The distinction is made in this chapter in order to uncover the different roles administrators might play in grand and petty corruption. In grand corruption, the interaction and power balance between politicians and administrators are very important to the outcome. We should remind ourselves that corruption, like all criminal activity, needs coordination. If both politicians and administrators are involved in decisions, incentives for corruption must coincide between them; or one group must dominate the other for corruption to occur. This creates a coordination problem for corrupt politicians and administrators and therefore an opportunity to understand why some ways of organising the state are less prone to corruption than others. Separating the careers of politicians and administrators or isolating them from each other might be ways to obstruct the coordination of corrupt networks (Dahlström et al. 2012; Rauch and Evans 2000).

In petty corruption, on the other hand, the interaction between politicians and administrators is less important because petty corruption does not normally involve politicians. The coordination problem described above is therefore already 'solved'. In petty corruption, we should probably instead analyse the more direct incentives for administrators to take bribes. Effects of salaries for administrators can illustrate the different dynamics driving grand and petty corruption. It has been suggested that there is a negative effect on corruption of the relative pay to administrators. The basic idea from the classic economic literature is that if administrators are well paid their incentive for corruption diminishes as they have more to lose (Becker and Stigler 1974). Empirical research is inconclusive, however. For example, in cross-country comparisons, Van Rijckeghem and Weder (2001) indeed find a negative correlation between pay in the administration and corruption, while Rauch and Evans (2000) and Treisman (2000) do not find this effect. It is perfectly logical that the effect of pay is very different depending on whether we talk about grand or petty corruption. There are no real reasons why a higher salary should drive down grand corruption, while it makes more sense

for it to drive down petty corruption. Therefore, if a distinction between grand and petty corruption is not made, it might blur the results.

The remainder of this chapter will first discuss the role of the public administration and corruption in more detail. This section pays special attention to principles for getting and holding office in the public administration, originally suggested by Max Weber (1978), and describes how human relations in a Weberian organisation can be connected to corruption. The following section will summarise some empirical findings from previous studies, both of historical and contemporary cases. This section will suggest that it is most likely that meritocratic recruitment and strong *esprit de corps* affect grand corruption. Thereafter, we will examine how full-time employment and the salaries of administrators affect petty corruption. In the final section, the reasoning will be summarised and some limitations of the Weberian bureaucracy will be discussed.

Office-holding and corruption

In the essays on bureaucracy collected in *Economy and Society* (1978), Max Weber identifies two fundamentally different ways of organising public administrations: the patrimonial and the bureaucratic types. In the patrimonial type of administration, there is no difference between the '"private" and the "official" sphere' for administrators (Weber 1978: 1028). In a patrimonial system, the ruler (it might be a monarch, a dictator or a democratically elected president) strikes a deal with various elite groups in order to organise the administration. Simplified, the ruler gets some goods, such as soldiers, social order or taxes, while the administrator gets a public office and thus can act on behalf of the state. In a completely patrimonial system, the administrator uses the control of office as a personal property. Fees, taxes and other transactions to a smaller or larger degree go therefore directly into the pockets of the administrator, which is accepted by the ruler as long as the goods that were a part of the deal are delivered. The office in itself is also a part of the personal property in such a system. Administrative positions can be sold by the office holder and even inherited within a family. There are historical examples of patrimonial administrative systems from ancient Egypt, the Chinese empire and pre-modern Europe (Weber 1978: 1044–50; Ertman 1997: 6–10) as well as from developed, transition and developing countries today (Hellman et al. 2003: 752; Médard 2002; Sotiropoulos 2004: 266–8).

Examples of the bureaucratic type of administration are more often from modern West European states. It is, however, important to bear in mind that both types described by Weber are ideal types, and there is nothing exactly corresponding to them in the real world. We should also note that, historically, the West European states are all more or less governed in a patrimonial way (Fukuyama 2011; North et al. 2009). Realistically, one should therefore think of most systems, historically and today, as having both patrimonial and bureaucratic characteristics.

In the bureaucratic system, contrary to what is the case in the patrimonial system, the administrator does not operate on a personal mandate. Instead, she follows general rules (laws or administrative regulations), devotes her full working capacity to the office and has full-time, paid employment (Weber 1978: 956–8). In a bureaucratic system, office-holding is thus what Weber (1978: 958) calls a 'vocation' (*Beruf*). Simplified, one might think of a bureaucrat as a full-time, meritocratically recruited and professionalised occupation.

The principles for office-holding constitute a primary difference between patrimonial and bureaucratic systems. An important consequence of meritocratic recruitment and promotion is the way it structures the loyalty of administrators. Concerning a system where

office-holding is a 'vocation', Weber (1978: 959) writes, 'It is decisive for the modern loyalty to an office that, in the pure type, it does not establish a relationship to a person like the vassal's or disciple's faith under feudal or patrimonial authority, but rather is devoted to impersonal and functional purposes.'

In broad analyses of human history, North et al. (2009) and Fukuyama (2011) have also identified the impersonal character of positions within the state as central for well-functioning societies. But, more specifically, why is it important for the relationship between bureaucracy and corruption if the office-holder 'establish a relationship to a person' rather than is 'devoted to impersonal and functional purposes' (Weber 1978: 959)? Bo Rothstein and Jan Teorell (2008: 169) have argued that impartiality is in fact the basic norm defining high-quality, non-corrupt institutions. According to Rothstein and Teorell (2008), impartiality is as vital for administration as political equality is for elections and political representation in a democratic state. They see impartiality as a 'system of beliefs', necessary for well-functioning institutions to evolve (Rothstein and Teorell 2008: 184). Without an 'impartial' norm, it is, for example, irrational to think of universal rights or universal policies. In a patrimonial system, the rational thing to do is to take care of your own 'kind' (be that your family, clan or party) and not to treat everyone the same way. It is very probable that this 'system of beliefs' finds its expression in the way the public administration functions. Therefore, corruption should be less common in systems where the impartial norm is established.

Impartial or impersonal characteristics of the state and its administration are thus important in their own right, but, while the effects of norm systems and broad administrative structures are most likely to have long-term effects, a public administration organised after Weberian ideas has also more direct consequences for power relations between rulers and administrators. It therefore has the potential to hamper misuse of power and corruption in the short term.

In a bureaucratic system, where the administration is professional, full-time employed, well-paid and meritocratically recruited, the future careers of employees are not directly dependent on the will of the ruler. As a consequence, the ruler loses his or her direct control over the administration. This is very different in patronage systems, where the ruler can control the administration directly. In a patronage system, the ruler can therefore use public resources, such as the administration, for private gains, while this is much harder in a bureaucratic system.

It has been shown, for example, that political parties in the USA were able to take advantage of their influence over the administration and make electoral gains because of their control over that same administration. In a study of the state level in the USA, Folke et al. (2011) demonstrate that the political parties were able to transform control over patronage jobs to electoral gains as long as they were operating in a patronage system but not after civil-service reforms. When the system was moved in a bureaucratic direction through civil-service reforms, the electoral effect of controlling the administration diminished. This illustrates that a bureaucratic system is harder to manipulate and that relatively limited reforms can have an impact.

Another consequence of a bureaucratic system is that there are two groups who do not have the same incentive structure but who are still involved in the same decisions. A bureaucratic system makes opportunistic actions, such as organising kickbacks, more difficult than they are in a patronage system. The reason is that corruption requires the involvement of both politicians and administrators. If these groups are not alike, their incentives and loyalties do not coincide, which in turn makes coordination of corrupt activities harder. A bureaucratic

system thus builds in a monitoring mechanism between the ruler and administrators (Dahlström et al. 2012: 658–60; Miller 2000: 308).

It is probably reasonable to expect this coordination effect to occur only when it comes to grand corruption as it is only at the higher levels where both politicians and bureaucrats are involved in decisions potentially leading to corrupt behaviour. When it comes to petty corruption, there are, however, other parts of the Weberian principles of bureaucracy that might have effects. As mentioned in the introduction, relatively high pay and full-time employment for administrators might change incentives for that group to engage in corruption. The following two sections will further discuss the difference in the Weberian bureaucracy effect on grand and petty corruption.

The role of the administration in grand corruption

During the nineteenth and early twentieth centuries, corruption and other types of misuse of public resources plagued governance on the British Isles and in the USA, as well as in many other parts of Europe and America. Both policy-makers and scholars in public administration at the time identified the relations between politics and administration as key to overcoming these and other problems they thought were connected to a patrimonial administrative system. Put simply, the idea in many of the reform suggestions was to untie the close bonds between politicians and administrators by introducing meritocratically based civil-service reforms. Influential reformers thought that, with a professional and meritocratically recruited civil service, a more efficient and reliable public administration would be created (see, for example, Goodnow 1900; Wilson 1887).

In Britain, for example, the meritocratic recruitment introduced after the so-called Northcote and Trevelyan report (1853) was used as a way to curb corruption. According to this view, the substitution of personal contacts by formal merit would put an end to the period known as the 'Old Corruption' (Rubinstein 1983; Harling 1995). Similarly, reformers associated with the Progressive Era also pushed for the adoption of merit recruitment systems in cities in the USA. James Rauch (1995) has noted that during the first two decades of the twentieth century a wave of reforms took place at the local level in the USA that 'can be seen as attempts to move away from predatory to more Weberian state characteristics' (Rauch 1995: 969). Progressive reformers saw these means as a way to break down the informal patronage networks, often called political machines (Van Riper 1958; Kelman 1987; Schultz and Maranto 1998; Teaford 1993).

Consequently, there are good reasons to believe that a reformation of a patronage public administration, and, more specifically, the introduction of meritocratic recruitment, would hamper corruption. It is, however, less clear in exactly what ways civil-service reforms would help to clean up government. There are at least two different ways of thinking about how a sound administration can help to diminish corruption. The first is based on an idea that societies are in a better situation to control corruption if there are groups with known different interests that monitor each other during the decision-making process and that such a situation is more likely to occur in a bureaucratic system with merit recruitment than in a patronage system (Miller 2000). The second way of thinking stems from the conviction that administrators, under the right conditions, can develop norms that make them more resistant to moral hazard and therefore can function as barriers against corrupt politicians (Rauch and Evans 2000). Which of the two ways is right is not only of academic interest but can have direct policy implications. While the first causal mechanism implies reforms close to the Anglo-Saxon and Scandinavian administrative traditions, the second points more towards the Napoleonic and Germanic traditions (Painter and Peters 2010: Chapter 2).

In a series of papers, Gary Miller (2000) has described that it is (1) of fundamental importance to constrain morally hazardous behaviour of a ruler in a society and (2) impossible to find a perfect solution to this problem. Together with other transaction-cost economists, he has pointed out that, in almost every decision that involves public resources, there are incentives for decision-makers to take advantage of the situation and, for example, organise some kind of kickbacks or in other ways enrich themselves. There is, in other words, always a part of a decision that the decision-maker can use for private gain. Creating a system where the decision-maker abstains from corrupt behaviour is in this view probably the most important part of organising a society and also something every organisation has to deal with (Miller and Hammond 1994).

Falaschetti and Miller (2001) show that there is no perfect solution to this dilemma. Incentives for corruption are an inevitable part of decision-making in large organisations. It cannot be solved, and cannot be ignored. Instead, supporters of good governance should minimise its consequences by organising the decision-making process in a way that credibly constrains rulers' morally hazardous behaviour. Miller (2000) has suggested that delegating decisions to outside actors, such as a group of autonomous administrators, can help to minimise the problem. The Weberian characteristics of a bureaucracy contribute to autonomy – 'above politics' according to Miller (2000: 289). It is important to note that this solution stands in sharp contrast to the often-used principle–agent perspective, where the basic idea is to create a system in which the incentives for principle (rulers) and agent (administrators) coincide.

Miller (2000: 317) gives an example of how this might work. He describes a scandal including US senators and other politicians, known as the Keating scandal. From the point of view of this chapter, it is interesting that the scandal was revealed to the public by 'relatively lowly civil servants'. What gave them the courage to do so? Miller asks rhetorically (2000: 319), and answers that it was because they were protected – normatively and factually – by the Weberian characteristics of their employments.

This episode, however, also illustrates that it is unclear what, more specifically, causes the hampering effect on corruption. It could be the fact that administrators are involved in the decisions and thus can monitor politicians, but also that they are isolated from politics. Most scholars would probably agree that both characteristics contribute to lower corruption but emphasise different aspects.

Some scholars think that it is in practice impossible to isolate politicians and administrators from each other and that both groups are involved in both policy-making and implementation. Alberto Alesina and Guido Tabellini write (2007: 169):

> Policies are chosen and implemented by both elected representatives [politicians] and non-elected bureaucrats. The view that politicians choose policies and bureaucrats implement them is too simplistic: the boundaries between decision and execution a grey area and in many cases bureaucrats do much more than executing either de jure or de facto.

This can, however, be a very good thing, as it makes it possible for two groups with different incentives to monitor each other. Very simplified, we can think of politicians and administrators as two groups that are involved in policy-making and that could potentially take part in corrupt activities. According to the logic of this argument, it is important that their interests in corruption do not coincide. Why? Because, as in all illegal activities, the premise of corruption is that all involved can trust each other not to sell out the other party. If politicians and

administrators have different interests in such situations, corrupt activities become a coordination problem involving the two groups. This thus makes it harder to go through with it, and corruption levels should be lower. Ideally, politicians and administrators should therefore be involved in the same decisions but have different incentives. It has been proposed that this situation occurs when the administration is meritocratically recruited (Dahlström et al. 2012).

It should be noted, however, that the preferred monitoring effect only appears when politicians and administrators are involved in the same decisions. Hugh Heclo (1977) suggests that the civil-service idea requires that civil servants employed by merit actively express their views on policy proposals. Heclo's interpretation is, however, not self-evident. Quite the contrary, thinking around politics and administration often starts from a dichotomy with very distinct tasks for politicians and administrators respectively (Rouban 2007). The dichotomy model thus holds that policy decisions are made in the political sphere with strict neutrality for the administration during implementation. (For a critique of the dichotomy model, see Svara 1998.)

This brings us to another possible mechanism by which the administration can hamper corruption in a society. The basic idea is that the administration should monitor potentially corrupt politicians rather than take part in the same decisions. In this view, meritocratic recruitments, internal promotions and other means by which the administration is isolated from politics are good because they strengthen good governance norms in the administration. There are two processes that contribute to this outcome. The first is that recruitment based on merit makes the pool of employees more competent. Selection of the best applicants makes the administration capable. The second process has more to do with internal promotions, which are also associated with a Weberian bureaucracy. In a seminal article examining the role of the bureaucracy in good governance, Rauch and Evans (2000: 52) argue that '[t]he long-term career rewards generated by a system of internal promotion should reinforce adherence to codified rules of behaviour. Ideally, a sense of commitment to corporate goals and "esprit de corps" develop.'

For these norms to influence corruption, one should probably think of it as a standard by which the administrators can measure the performance of politicians and monitor their activities. In many ways this is exactly in line with the ideas from the progressive era in the USA to lift the administration 'above politics' (Miller 2000: 289). It is thus not through the involvement by groups with different interests that corruption diminishes but rather by way of one group (administrators) monitoring another group (politicians).

The role of administrators in petty corruption

As mentioned already in the introduction, the Weberian principles for office-holding have several different parts that might very well affect grand and petty corruption differently. The reforms discussed in the previous section have more to do with monitoring and power relations between politicians and administrators, while the reforms that will be discussed in this section have more to do with incentives for bureaucrats to engage in corrupt behaviour in the first place and norms deterring them from doing so.

Two interrelated parts of a bureaucratic organisation have been pointed out as especially important for affecting incentives for administrators not to be corrupt. The first concerns a move away from what might be called an amateur administration. Historically, it was common in Europe that administrative positions were jobs only taking up a minimum of the office-holder's time (Ertman 1997; Fischer and Lundgreen 1975). The office-holder could have several positions at the same time and, in an informal way, subcontract someone else to do the

actual work. In such a situation, the administrative position becomes merely a source of income for the office-holder. According to this line of argument, there are no strong reasons why an office-holder in that situation should not just maximise her income, even if that includes taking bribes. In order to break with the amateur administration, full-time positions should instead be created. This will in turn have two effects. First it will contribute to creating an honesty norm, and second it will give a secure income for the office-holder. Weber (1978: 959) writes that in a modern, professional bureaucracy, 'the position of the official is in the nature of a "duty" (*Pflicht*)'. The feeling of carrying out a duty rather than just making a living could have many different effects, and it is not unreasonable to suggest that one of them is that a norm of honesty is created. That norm would then drive down corruption in the administration. The income security will probably also affect the incentives for corrupt behaviour more directly, as an insecurity of your income tomorrow creates a pressure to maximise your income today and thus maybe even take bribes.

Another part of a bureaucratic organisation, which has gained a great deal of attention, especially from scholars in economics, is how administrators' salaries affect corrupt behaviour. While Weber (1978) emphasises the importance of secure pay for administrators, most economists instead stress the relative level of the administrative salaries. Also, this argument comes in two variants, the first more directly incentive-driven and the second more norm-driven.

The basic idea in the incentive argument is that administrators aim to maximise their income (see Becker and Stigler 1974 for a classic article in this area). Salaries and bribes are two sources of income. If corruption, when detected, is penalised with job loss, higher pay will create stronger incentives for honest behaviour. In such a model, corruption in the administration is determined by (1) how high the pay is, (2) how high the bribes are, (3) how probable detection is and (4) what the penalty for corruption is. Wages in the public sector should thus be high enough to outweigh the potential gain of taking bribes. As pointed out by Van Rijckeghem and Weder (2001: 308), however, when bribes are high and the probability for detection low, or fines for corruption low, it will be very costly to fight corruption with high salaries.

Other influential analyses of wage regimes that also belong to the incentive type of argument show that different regimes attract different types of administrators. Timothy Besley and John McLaren (1993) define three such regimes and make clear that a wage lower than what an administrator could make elsewhere (Basley and McLaren call it the capitulation wage) only attracts dishonest administrators as it presupposes that the administrator takes bribes.

Scholars do, however, also hypothesise that there are other factors creating 'fair treatment of civil servants', among which fair wages is an important one (Van Rijckeghem and Weder 2001: 308). This fairness might be an effective deterrent of corruption as it arguably affects administrators' preferences for honesty. In effect, the fair-wages explanation is, thus, norm-driven.

There is mixed empirical support for a negative effect of administrative wages on corruption. In a cross-country comparison, Van Rijckeghem and Weder (2001) find support for such an effect, while Rauch and Evans (2000), Treisman (2000) and Dahlström et al. (2012) do not find such an effect. It is beyond the scope of this chapter to say why research is inconclusive, but there are some potential explanations. First, it is reasonable that there is some kind of non-linear relationship. It is fairly easy to imagine that there are threshold effects. If administrators indeed care about their income but at the same time are not only driven by greed, there should, for example, be some kind of effect on low-income levels. Another potential

reason why empirical support is mixed is that the effects of pay are long term. Van Rijckeghem and Weder (2001) are, for example, not able to find the negative effects of pay on corruption within countries but only between countries in their sample. This is compatible with a long-term rather than a short-term effect. Third, as mentioned in the introduction, it might be the case that different kinds of corruption are affected by different reforms. What speaks for this is that Rauch and Evans (2000), Treisman (2000) and Dahlström et al. (2012) all use a corruption measure that does not discriminate between grand and petty corruption, while Van Rijckeghem and Weder (2001) do. As the basic idea of pay is to affect the incentives for administrators to take bribes, it is probable that an effect should only occur on petty corruption, while grand corruption should be unaffected. The cross-country measures of corruption do, however, mix both grand and petty corruption, making it very hard to isolate the effect.

Conclusions

Previous sections in this chapter have argued that there are good reasons to expect a Weberian bureaucracy to have a deterrent effect on corruption. In a bureaucratic system where public administrators are recruited by merit, have strong *esprit de corps*, are full-time employed and relatively highly paid, the risk for corruption in the public sector is relatively low, while a patrimonial administrative system comes with much higher corruption risks.

The chapter has also summarised research indicating that it is reasonable to expect the bureaucratic organisation to affect grand and petty corruption unevenly. The discussions in the chapter have mainly focused on four parts of the bureaucratic organisation, namely merit recruitment, *esprit de corps* (created by secure positions for administrators), full-time employment and relatively high pay for administrators. The case has been made that while recruitment procedures and secure positions affect grand corruption, employment and pay instead affect petty corruption. The reason for this is that both merit recruitment and *esprit de corps* are effective as they structure contacts between politicians and administrators in a way more beneficial for preventing grand corruption. In turn, employment and pay affect administrators' norms, deterring them from corruption and their incentives to take bribes and accept other kickbacks, in a way that should prevent petty corruption but leave grand corruption untouched.

These are important insights for both policy-makers and scholars. It is tempting to draw the conclusion from research reviewed in this chapter that the Weberian bureaucracy holds the key to good governance. As demonstrated, there are indeed good reasons to expect some negative effects on corruption from, for example, civil service reforms, in both the long and the short term. At the same time, it would be premature to conclude that an introduction of a Weberian bureaucracy is a universal cure. Its effects might very well be specific not only to the level of corruption but also to the context. What is more, it is important to note that research in no way has a clear answer as to whether or not there are contradicting effects from different parts of the bureaucratic organisation, or if there are any prerequisites that need to be fulfilled before, for example, beneficial effects of job security for administrators might be expected.

Acknowledgements

Note

1 The terms 'street-level' and 'high-level' corruption are also sometimes used for the same distinction. See for example Nieuwbeerta et al. (2003: 139).

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9

SOURCES OF CORRUPTION IN THE EUROPEAN UNION

Carolyn M. Warner

In 2002, the British economic journalist Samuel Brittan wrote that, for those concerned about capitalism's abuses, 'globalised free trade is their best defence against the corruption of politicized capitalism' (Brittan 2002). That same year, apparently oblivious to the fact that corruption was on the rise, then European Union (EU) Commissioner for Enlargement Günther Verheuhen pronounced that the integration process for the 2004 accession countries was having a positive effect in the battle against corruption.[1] And, in 2005, then US Trade Representative Robert Zoelleck gave a speech supporting the Central American Free Trade Agreement (CAFTA), in which he said that CAFTA

> will strengthen the foundations of democracy by promoting growth and cutting poverty, creating equality of opportunity, and reducing corruption . . . CAFTA goes beyond cutting tariffs to require broad changes in the way economies and polities operate, challenging those who have grown corrupt and complacent in captive, uncompetitive markets.
>
> *(Zoelleck 2005)*

Reflecting a widely held view, in all three instances, market liberalisation is predicted to reduce corruption. But an unintended and unexpected consequence of the liberal market and political reforms that were, directly or indirectly, the outgrowth of the formation and development of the EU has been the growth of corruption. The formation of the Single Market and the 'ever closer union' envisioned in the Treaty of Rome and the Maastricht Treaty led to increased trade and competition across states. Under the EU, exposure to competitive pressures and shared rules and regulations, it was thought, would make firms and politicians less corrupt. But in the face of increased competition, some firms engaged in bribery or succumbed to extortion by politicians in order to survive or to maximise profits; in countries where corruption was already common, new competitors from other states were drawn into local corrupt practices; and the increased competition for access to overseas markets has sometimes led governments to ignore international bribery and even to establish agencies whose work actually, even if unintentionally, encourages corrupt practices.

Corruption in the EU exists and persists because competitive pressures lead some firms to seek an edge against competition through illegal means. It persists because privatisation and

decentralisation provide further opportunities for deviating funds, and, importantly, because political parties and politicians are in an arms race for campaign and party financing. When the public, above-board sources are deemed insufficient for campaign and party financing, parties and politicians turn to kickbacks and other bribes from the firms that are eager for exemptions to the rules of competition. All of this takes place in the context of a transnational market with very weak transnational enforcement mechanisms, compounding the effect of these dynamics.

Those who saw market liberalisation as a solution to the problem of corruption assumed that lack of competition led to collusion, since no one had much incentive to cut costs. Without competition, firms and politicians might flourish in a symbiotic relationship through the wrongful use of public resources rather than by facing the risks associated with economic markets and fair electoral contests (Thacker 2000). It has been assumed that persons doing business in markets that are uncompetitive and employ high trade barriers may be induced 'to bribe their way to exemptions or special treatment' (Gerring and Thacker 2005: 236). Since such corruption adds to the cost of doing business, one might think that firms that engage in it would be less competitive than those that do not and that an increase in competition would so disadvantage such firms as to force them to drop out of competition or end their corrupt practices. For their part, politicians, whose fortunes at the polls are partly wedded to domestic firms, would have to stop seeking bribes, so that those firms might succeed and continue to employ people (voters) and pay taxes. Sandholtz and Koetzle (2000: 39) express this view as follows:

> In a closed market, the importer sets the price of imported goods above the interna-
> tional price and the bribe-taking official collects part of the monopoly profits. In a
> market open to trade, the bribery tax forces returns below the level prevailing in the
> market, and the producers so taxed will drop out. Thus the competition created by
> free trade penalises bribery.

Golden (2002: 37) suggests that integration with the international market makes it easier for firms to reject the demands of politicians, bureaucrats and political parties for bribes and break existing cycles of corruption.

It has been widely thought that an organisation such as the EU, capable of establishing rules for a transnational market, would essentially eliminate corruption within its purview and even make it less likely to occur in member-states (Moravcsik 2005). Likewise, some have seen the kind of privatisation that accompanied the creation of the Single Market as a brake on corruption. Gerring and Thacker (2005: 238) characterise the ideological under-pinnings of this view as follows:

> the larger a role the government plays in the market – as producer and/or consumer
> – the greater its capacity to engage in corrupt activity. By this logic, adding func-
> tions to government cannot reduce its level of corruption; by the same token,
> whatever functions are not entrusted to government cannot be as easily abused by
> government.

EU member-states such as Sweden and Denmark, with very large public sectors, belie that view. It is not the case that the larger the government the more prevalent is corruption. Instead, the fact that corruption persists and has adapted to the EU is in part due to the weak accountability that is, largely intentionally, inherent in the EU's institutional structure

and is exacerbated by politicians, who, personal avarice aside, have a strong need for campaign and party financing that makes them susceptible to influence peddling and is a major cause of chicanery. States jealous of their sovereignty have essentially ensured that the very international institutions and procedures established to limit corrupt practices have not been given the powers or resources to do so. And politicians concerned about international competition and jockeying for election and office are not only reluctant to give real power to the EU, they tend not to be interested in making their own institutions of accountability more effective. Corruption proceeds apace.

This chapter is organised as follows. It presents an overview of the received wisdom on sources of fraud and corruption in the EU itself and in member-states, then expands on the argument that competition, and more generally, liberalisation with weak international enforcement mechanisms, generates pressures and opportunities for corruption in the EU. It then expands on the above argument, citing various examples. Those interested in detailed evidence in support of the argument are referred to Warner (2007). It then offers some less than sanguine conclusions.

The causes of corruption

Political economists emphasise several factors for why corruption happens more often in some places or times than others. Generally these factors are based on the nature of incentives facing an individual, and the associated costs and benefits. Thus, for political economists, the key factor behind corruption is the discretionary power of bureaucrats and the demand for the resources they control (Rose-Ackerman 1978, 1999; Ades and Di Tella 1997: 1023–4; Gray and Kaufmann 1998: 8; Mauro 1998: 12). In fraud, the focus is on the risk of detection and extent of penalties balanced against pecuniary benefits. Indeed, most of the research on fraud and corruption focuses on the incentive structures of government bureaucrats (Ades and Di Tella 1997; Leff 1964; Shleifer and Vishny 1993; Bag 1997).

The solution, according to many political economists, is to introduce 'market competition' into previously regulated and subsidised areas (Bliss and Di Tella 1997: 1005). As Mauro (1998: 11) argues, 'Since the ultimate source of rent-seeking behaviour is the availability of rents, corruption is likely to occur where restrictions and government intervention lead to the presence of such excessive profits.' The implication is that there is more fraud where the government intervenes in particular market sectors, for example, agriculture in the case of the EU.

The legalistic approach to a solution argues that corruption can be curbed through more and better oversight and stronger sanctions – the latter raising the costs of corruption, the former the likelihood that those costs will have to be paid. Institutions must monitor programmes and enforce rules, sanctioning infractions (Transparency International 2012). The key is to avoid any office having a monopoly (or even overwhelming discretion) in the distribution of a resource (Manzetti and Blake 1996; Andrews and Montinola 1998; Banfield 1975: 600; Sherlock and Harding 1991: 25). In this view, the failure to increase enforcement stems from the vested interests of those who profit from corruption and from devoting inadequate resources to enforcement.

The legal and political economist views, emphasising human agency and incentives, imply that the EU's fraud problem is due to a corruptible bureaucracy, the existence of programmes that are vulnerable to fraud by third parties and too few checks and balances to counter administrative monopolies (despite the many levels of authority and decision-making). However, the political and legal solutions fail to take into account the peculiar structure of

international organisations, including the possible differences in attitudes towards corruption that may affect member countries' institutional responses to corruption and its peculiar principal/agent structure: we have the conundrum that the member-states, as principals, have delegated to themselves the collection and distribution of an enormous percentage of the EU's budget and have also delegated to themselves the operation of most of its regulatory structure. As an official in the EU's anti-fraud unit stated, there is a 'complete lack at Community [EU] level of any judicial powers relating to investigations by the police and public prosecutors' (Kuhl 1998: 57). Despite successive Treaty revisions, the Commission's 2001 proposal to create a European Prosecutor has not been adopted (CEC (Commision of the European Communities) 2001). Thus, much of the time, the agent is also the principal. If combating corruption involves policing the agents, then it is the member-states which must be controlled.

The political economist and legalist approaches also fail to recognise the fact that governments and international organisations often have strong policy reasons for not allowing the so-called free market to operate in specific sectors. Many of the EU's most important and expensive programmes (e.g., Common Agricultural Policy, Structural Funds) were deliberately created to counter free market forces. Furthermore, research shows that, depending on how they are implemented, market reforms toward a 'free' market 'can be used as new means to pursue corrupt ends' (Manzetti and Blake 1996: 662; Johnson et al. 1998; Kaufmann and Siegelbaum 1996).

It is often claimed that international organisations ('regimes') raise the 'anticipated costs of violating others' property rights' (Keohane 1984: 97; cf. Garrett 1992), thus reducing the costs and risks of economic interaction. Some have argued that corruption, as a form of rent-seeking and hence a source of economic inefficiency, is destined to decline as national economies grow interdependent and are more exposed to international economic competition (Kitschelt 1996). That pressure presumably would apply to organisations such as the EU and its member-states, which face competitive external pressures that should make corruption costly. Yet, while that expectation may be rational at the macro-level, the 'micro-motives' of individuals, firms, political parties and also governments still could make it rational to engage in corrupt practices.

The rationalist perspective, which has dominated the field, 'assumes that states rely on [international] institutions when doing so will promote their interests' (Martin 1997: 7; cf. Keohane 1984; Moravcsik 1998). States agree to international institutions when doing so will further some national interest (I am ignoring how that interest is defined or discovered), provided there are rules to sanction non-cooperative behaviour (cheating). Yet one hallmark of an international organisation's legal system is its inability to do just that.

Scholars of international regimes persist in arguing that regimes, by the fact that they exist, have at least a rudimentary legal system. The reasoning is that states would never agree to cooperate and pool or delegate sovereignty if there were no way to discover and sanction non-cooperative behaviour. That the legal forces are inadequate would be explained by states' inherent concern with retaining sovereignty. If so, for a state to be rational and to agree to an international organisation, the benefits of the organisation would have to far outweigh the risks of others cheating, or the state would have to see, as part of the benefits, the possibility of itself cheating the others to a greater degree than the others could cheat it.

Applying this assumption to the states' perspective first, states see fraud and corruption in an international organisation as a marginal cost to be discounted by the varied benefits derived from the organisation. One of these benefits may actually be the fraud, which serves as a side-payment to various key constituencies, or as a direct benefit to the policy-maker (Levi 1988; Shleifer and Vishny 1998; Ades and Di Tella 1997). The political economy research on

rent-seeking by policy-makers (governments), not just by interest groups, also leads to this expectation (Mitchell 1990: 90; McChesney 1991: 74; Appelbaum and Katz 1987: 686). In both cases, the costs are borne by diffuse, unorganised individuals spread across the member-states. Second, taking a rationalist approach one step further, the effect of the international institution may be that of broadening the arena for those actors already inclined to corrupt behaviour, providing them with new opportunities and resources. Implicitly recognising this possibility, Italy's Treasury Minister at one time said of southern Italy, it 'is not just an Italian problem but a European problem'.[2]

Indeed, the EU's peculiar institutional arrangements may contribute to fraud and corruption, as well as explain why there has not been more and better action to deal with it. For example, while the Commission supervises budget expenditures, 80 per cent of the disbursement thereof is in the hands of the member-states. Most of the EU's 'own resources', such as funds obtained from the Common External Tariff and the Value Added Tax, are collected for it by the members. Thus, should a member government find it politically useful to tolerate fraud in a particular economic sector (e.g., agriculture), the fact that it has jurisdiction over EU funds within its territory lowers the risk of discovery. Most of the detection and pursuit of fraud and corruption, as well as the prosecution of it, are reserved to the policing and legal systems of the specific member-states. In effect, this makes EU fraud a collective action problem (cf. Frey 1991: 13–19): member-states are able to free ride on, or defraud, the EU because the harm caused is dispersed across all the members, while the gains are country-specific.

These possibilities are not addressed by the scholarship on international regimes. A prominent work on the subject of European integration contains no mention of corruption or fraud and writes as if the EU's legal system is adequate to the task (Moravcsik 1998). Moravcsik goes on to explain that states have no problem delegating sovereignty for 'adjudication, implementation, and enforcement' because those 'are narrower functions'. Governments 'can afford looser control and greater efficiency' (1998: 76–7). But it is difficult to see how allowing the policing and enforcement of EU rules to be carried out primarily by the twenty-eight member-states' interior, judicial and defence ministries could be seen as a delegation of sovereignty. I would argue that governments have retained tight control and lost potential efficiencies.

Some institutionalist scholars would suggest that fraud is an unintended consequence of creating new institutions (Pierson 2004), with multiple levels of policy networks and informal arrangements (CIE (Committee of Independent Experts) 1999; Pappi and Henning 1999). What may appear to be fraud or corruption is merely a form of incompetence and a reflection of inadequate resources: the inability of officials and businesses to apply EU regulations because of their extreme complexity, their contradictions, the lack of staff and the competing jurisdictions to which they are subject (Siedentopf and Ziller 1988; Pag and Wessels 1988: 169). Yet pushing the idea of state interests in international institutions to its logical conclusion implies that fraud may be an intended consequence of creating new institutions, or at least a consequence surreptitiously welcomed by states as a useful tool in domestic political competition. After all, states can be selective in the areas to which they devote policing power, spending proportionately more resources on those which clearly affect state revenues (François and Vandercammen 1988: 34) and government electoral futures.

Corruption may indeed occur when principals cannot exercise sufficient oversight. A number of scholars have argued that the EU can, in fact, be best understood as an organisation playing host to various principal/agent relations (Pollack 1997). Having delegated certain powers to (new) supranational institutions, the member-states may be seen as the principals

and the staff of these institutions as the agents. This view implies that reducing corruption in the EU programmes will be largely a matter of restricting the behaviour of the agents. However, in the case of the EU, the principals designed the institutions so that much of the implementation authority and responsibility remains with them, thus turning themselves into their own agents. This creates an opportunity, if not an outright incentive, for the principal, as agent, to cheat.

The EU has not been characterised by states unilaterally dropping their barriers to trade. Instead, in multilateral negotiations, the states create a complex set of rules that each state is supposed to follow in order to promote free trade and competition. In most cases, the rules can be implemented in different ways by different states, provided the overall outcome is the same. So, firms wanting to do business in other countries face not just one intricate set of EU rules, but, often, different sets of rules, varying by country. That gives officials, including politicians, opportunities to extract illegal payoffs for sorting things out, and gives firms, in competition with one another, an incentive to bribe their way out of the complex arrangements (Transparency International 2012: 39–41). The European Commission relies on member-states to do most of the policing and especially on firms to complain to domestic authorities if they think there has been an illegal violation of EU or other public contracting rules. Yet, as the UK House of Lords Select Committee on the European Communities reported in 1988,

> A tenderer contemplating taking legal proceedings in a national court against a public authority claiming breach of the Community's procurement rules faces fundamental problems. It is likely that the tenderer still hopes subsequently to do business with the procuring authority; and, as witnesses were keen to emphasise, he will not want to bite the hand that feeds him . . . It is, therefore, unrealistic to expect that tenderers will collectively police the Community rules. Most tenderers will prefer to cut their immediate losses in the hope of establishing a longer term relationship of trust and confidence.
>
> *(House of Lords 1988: 53)*

My argument goes further, in pointing out that competition and market liberalisation can create opportunities and incentives for corrupt behaviour. Why would competition lead to corruption in the EU? First, competitors always have an incentive to cheat. For the EU, we have a cautionary tale that the introduction of free trade and competition between states does not necessarily reduce corruption. When free trade creates more competition, it can change conditions so that some firms have incentives to resort to corruption. Paying a bribe to land a contract is often cheaper than bankruptcy (though it is of interest that several of the large firms earlier caught in corruption cases later went bankrupt) and can give a firm an edge over the competitor with the better and/or cheaper bid. With the EU (and the World Trade Organization) goading states to reduce their subsidies to private and public firms, with state bailouts subject to EU oversight, firms must be more aggressive in the market in order to get business to stay afloat. Public handouts are less readily available. Competition to gain market share or entry can become fierce. Competition, by increasing the supply of firms in a given market, can also increase the demand for corruption. Because competition increases gradually, firms, politicians and bureaucrats can absorb the new competitors into the old system. The new market economy is absorbed into the old corrupt system, not the other way around.

Second, politicians and parties compete with each other for access to office at all levels of government. As that demand for corruption from firms goes up, politicians, searching for

campaign and party finance, are willing to provide a supply. This is a major driver of corruption, especially if financing is hard to get. Yet seemingly well-financed and politically successful parties and politicians resort to corruption to obtain more funding. Whether in two- or multi-party systems, politicians are in a funding arms race. Efforts to control it are about as successful as controlling weapons proliferation or imposing a prohibition on alcohol. More elections due to decentralisation adding layers of elected governments, and due to the EU's parliament, mean more campaign and party expenses, and hence more demand for financing to cover costs and get ahead of political rivals.

Third, decentralisation and what we might call democratisation also have perverse effects on corruption. When decision-making authority is brought down to regional and local levels, where formerly it had been held by the central government, it increases the number of instances in which governing authorities make discretionary decisions. It decreases citizen oversight, as few voters watch their local governing authorities with the same care that they do the national government. It also reduces monitoring because lower level oversight boards may be less professionalised or have fewer powers. Decentralisation also is rarely clean and straightforward, so lines of authority between levels and across sectors of government may be blurred (Hooghe and Marks 2003). Local level staff may not have the competence to evaluate complex bids. The French state began decentralisation in 1982 and is still catching up with the cases of corruption that decentralisation spawned. But what really turns decentralisation into a production process for corruption is combining it with elections to those new layers of government and privatisation of local government services.

It is not only the newer EU member-states that suffer from corruption. The older ones, such as Germany and France, have experienced both routine and high corruption. In Italy, endemic corruption accompanied a rise in general living standards, and its anti-corruption campaign of the early 1990s had limited effect. Indeed, politicians responded to the anti-corruption efforts of the Italian judiciary by curbing judicial investigation powers, shortening the statute of limitations times on relevant crimes and softening the penal status of crimes of corruption. The result is what one would expect: multiple cases of political corruption, including in the majority parties that first were swept into office as anti-system and very clean parties. Ireland, too, saw significant corruption develop side-by-side with extraordinary economic growth (O'Toole 2009; Moriarty Tribunal 2011). The number of major corruption cases that have involved politicians and corporations colluding across borders make it seem as though the EU has created a common market for both trade and corruption.

The creation of the Single Market was accompanied by and facilitated corruption. In 1988, two years after Spain joined the EU, two habitual offenders, the French company Alsthom and the German company Siemens, were competing bidders on a contract to build trains for the Madrid–Seville high-speed train and secretly paid a total of almost $7 million in illicit commissions to the Spanish Socialist Party. In 1991, just as the European Single Market was to launch, politicians in the Italian parliament accepted over $100 million in bribes to approve the dismantling of a merger between a private and state-owned firm (Tribunale Milano 1997). In 2001, during the phase-in of the euro, Siemens allegedly paid the Italian state power company Enel a large kickback for a lucrative contract. Italian judges accused the German firm of considering kickbacks a normal business practice. It appears to have been, even after Germany implemented the Organisation for Economic Co-operation and Development Anti-Bribery Convention rule preventing bribes firms pay from being tax-deductible. Siemens' 2008 filing with the US Securities and Exchange Commission contains an extensive listing of prosecutorial actions brought against the company for allegations of bribery of public and other officials, and many of those actions are in EU member-states. Famously,

Siemens was under investigation for having bribed Greek politicians to land the telecommunications contract for the 2004 Greek Olympic Games and for having bribed its way into another telecommunications contract (Warner 2007). The same year that the euro went into cash circulation, a Dutch TV station aired a documentary about collusive price-fixing, bribery and slush funds in the Dutch construction industry. A parliamentary inquiry later substantiated the allegations (Van Den Heuvel 2005). Spanish politicians at the highest levels of government continue to face allegations of corruption as a means of financing their campaigns and increasing their personal wealth.[3] Across the EU, corruption has been found to have occurred not just in the 'old economy' sectors but in new and supposedly competitive sectors such as telecommunications, with politicians getting kickbacks for steering contracts or making other favourable arrangements for firms (Warner 2007).

Eastern Europe

With the accession of six former Soviet bloc countries to the EU in 2004 and two more in 2007, the EU has become host to endemic corruption in a new set of states. Scholars distinguish between petty or bureaucratic-level corruption, which certainly occurs in a variety of countries, and the corruption that has as its source 'state capture by corrupt networks'. The latter has tended to be the case in the former Soviet countries, leading to large scale, widespread and persistent corruption on a scale that perhaps only Greece, or Italy in its Christian Democratic and Socialist Party heyday, could match. With the sudden economic reforms, including privatisations, 'a narrow group of elites initially governed with little political competition from other political forces, and with little effective scrutiny from the media and civic groups' (Vachudova 2009: 45). Once corruption is entrenched, even with new economic patterns, it is hard to uproot. Politicians, political parties and firms base their actions on their expectations of how others will act, and if the expectation is that they will be corrupt, they will interact based on that; deviating from that pattern could be costly. Investigative journalists face an uphill battle, and firms attempting to enter the 'free market', thanks to the EU absorbing the East Bloc into the Single Market, have to play by the local rules and pursue their complaints in local judiciaries. Given the EU's lack of investigative and prosecutorial powers, the deck is stacked against honest firms.

Since even the more established and developed democracies need ethical oversight and accountability, including sceptical journalists and stalwart public-interest groups, these are still more essential for the often poorer, newly democratised East Bloc accession states. Yet the EU has not addressed this issue head-on. The staff of the EU's anti-fraud unit, OLAF, was increased by only twenty-nine (up from 329) after the 2004 accession, which added ten states, none of which is known for clean government (Warner 2007, 162).

As Szarek-Mason writes, 'the EU policy against corruption within existing Member States is very limited and restrained by a number of legal and political factors. Thus, paradoxically, anti-corruption standards actually diminished once the CEE [East Bloc] countries acceded to the EU' (2010: 220). Whereas the EU can and does demand anti-corruption and anti-fraud reforms as part of the accession negotiations, once a country is inside the EU, at best the EU can, as in the particular cases of Bulgaria and Romania, threaten to not recognise legal rulings or arrest warrants of that state's own judicial system and to withhold some financial subsidies (Ristei 2010; Szarek-Mason 2010: 135–217, 227; Trauner 2009). So far, the EU has used such threats only on a handful of occasions, and briefly withheld some funds from Bulgaria once. The impact has been, as one would expect, negligible.[4] Despite reports that anti-corruption reforms and efforts in Bulgaria were 'a total mess' just prior to its accession in

2007, Bulgaria and similarly corrupt Romania joined the EU as planned in 2007. As is usually the case for ignoring corruption, the reasons were political (Szarek–Mason 2010: 225): the EU and accession-state politicians argued postponing the accession would discourage those who had worked for EU membership and might destabilise the political systems. Results are predictable. In Slovakia, there is credible evidence that politicians and businessmen colluded in the awarding of public contracts and in privatisation schemes. The corruption scandal broke in early 2012 and was punctuated by well-attended protest rallies. In Romania, also in 2012, the government resigned after weeks of public protests over ruling coalition corruption.[5] While privatisation helps countries meet the EU's competition and budget requirements, it instead often is a source of corruption, in which competition is restricted to a politically chosen few who are willing to reimburse the government, illegally, for keeping real competition and competitors at bay.

Organised crime and corruption

Organised crime, which has spread throughout the EU, depends on political corruption for its continued existence (Fijnaut and Paoli 2004a; Varese 2011). A recent corruption case in Italy illustrates the enduring link between political corruption and organised crime and also the extent to which parties and regions thought to be 'clean' often are anything but. The Lega Nord, the anti-immigrant, pro-federalist, anti-corruption party of Umberto Bossi, long-time coalition partner with Silvio Berlusconi's Forza Italia in government, has seen its leadership, including Bossi, directly implicated in a money-laundering scheme for the 'Ndrangheta, a large organised-crime group associated with the southern region of Calabria; with using funds from public financing of the party for extensive personal expenditures for family members; and with obtaining kickbacks on public works contracts (Ruotolo 2012; Sarzanini 2012). Berlusconi has long denied credible allegations that he and his firms have links to organised crime. The reduction in organised crime depends almost entirely on the actions of EU member-states; the EU has, despite successive treaty revisions, no supranational or even federalist-style investigation and enforcement powers in this area, even though organised crime is one of the main perpetrators of fraud against the EU budget and even though the reach of 'mafia' style criminal groups is transnational (Fijnaut and Paolo 2004). When the parties of government are linked to organised crime, there's little likelihood that the latter will be aggressively pursued.

Concluding comments

To understand corruption's persistence in the EU, one must remember that despite democratic elections, elected politicians are not the agents of the voters (Moe 1990). To some extent, the tables are turned: office-holders are the ones who have the power to change laws and, sometimes, intervene in court proceedings. Elected 'representatives' can use the offices of the state to protect themselves. Though subject to regular elections, when they face voters they are insulated from retribution by fact that corruption is rarely an overriding concern. For instance, there are indications that Spanish voters are not likely to penalise the conservative party of Prime Minister Mariano Rajoy despite extensive corruption allegations in 2013.[6] Voters' choices are limited, often to a set all of whom have been corrupt. When French Socialists and Gaullists were exposed to voters as having been engaged in systematic campaign finance corruption in the 1980s, the two political parties collaborated to pass laws granting themselves amnesty from prosecution. Voters at the next elections could hardly vote out the

corrupt politicians, as the major presidential and legislative candidates had tainted (but amnestied) pasts. Further, voters may find that short-term benefits such as local economic growth stem from corrupt politicians (Fernández-Vásquez et al., no date).

It is clear from the EU experience that economic and political competition are insufficient to prevent or significantly reduce corruption. What would help are more effective organs of oversight, and accountability, bolstered by independent media and effectual public interest groups. Among officials, of course, the most important anti-corruption forces are sound ethics and a strong sense of public responsibility. But in real life, ethical values are often outweighed by other factors: a state may adopt a corporate model and try to run the government like a business, and national interest or political competition may induce officials to do wrong. And there are states where traditions of corruption are so entrenched that it is almost impossible to eradicate them. As I have written elsewhere,

> Membership in the EU does not inherently drive out corruption, as the EU, in its acceptance of the East Bloc countries and Malta and Cyprus, assumed. Instead, it allows old forms to persist and permits the development of new ones. The EU has a negligible ability to reduce corruption and it promotes economic forces and political reforms that provide new incentives and opportunities for corruption. Economic and political rationality are at work, but not in the expected ways.
>
> *(Warner 2007: 3)*

The statement by the *Economist* in 2000 that 'corruption in European politics is probably on the wane' was premature.[7]

Notes

1 Adriano Milovan, 'EU Commissioner points to possible Croatian admission to the EU by 2008', *Global News Wire*, 3 December 2002.
2 *New York Times*, 15 November 1998, A1.
3 *Financial Times*, 9 July 2013.
4 There is a debate in the academic literature about the CEE countries' 'compliance' with EU policies. When compliance is narrowly understood as transposition of new EU legislation, the CEE countries have a good record. When it is understood as enforcing those newly transposed laws, the countries have a poor record (Sedelmeier 2008; Trauner 2009). Some of that poor record of law enforcement is traceable to corruption.
5 *Financial Times*, 11/12 February 2012: 3.
6 *Financial Times*, 16 July 2013.
7 *Economist*, 29 January 2000, p. 59.

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PART III

Measurement

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10

MEASURING CORRUPTION

Perspectives, critiques and limits

Paul M. Heywood

Introduction: the current status of corruption measures

How do we measure something that is, by its very nature, largely hidden? This is the conundrum that faces all who have attempted to develop a means of measuring corruption. Given the seemingly intractable nature of this problem, the obvious question is why we should want to measure a phenomenon that is not only covert, but notoriously difficult even to define. There are, in fact, several reasons for doing so: first, it is important to assess the scale of the issue, in terms of its extent, location and trends, so that we know what we are dealing with. Second, we want to see whether there are any clear patterns in order, third, to help identify explanatory variables that will aid our understanding of why and where corruption develops. In short, measuring corruption will help us see better where we need to take action, as well as helping us decide both what that action should be and assessing whether it has worked. As we shall see, however, attempts at measuring corruption can lead to unintended consequences.

The dominant mode of measurement since the mid-1990s has been perception-based, via cross-national indices drawn from a range of surveys and 'expert assessments'. Indices such as the Corruption Perceptions Index (CPI), the Bribe Payers Index (BPI), the Global Corruption Barometer (all produced by Transparency International (TC)), the Business Environment and Enterprise Performance Surveys (BEEPS) or other aggregate indicators such as the Control of Corruption element in the World Bank Group's Worldwide Governance Indicators (WGI), have undoubtedly proved immensely important in raising awareness of the issue of corruption, as well as allowing for detailed cross-country comparisons. However, it is now widely acknowledged that such measures are inherently prone to bias and serve as imperfect proxies for actual levels of corruption (Kurtz and Shrank 2007; Razafindrakoto and Roubaud 2006; Heywood and Rose 2014). Indeed, measuring corruption has been described as 'more of an art form than a precisely defined empirical process' (United Nations Development Programme (UNDP) 2008: 8). Moreover, the lack of an authoritatively agreed-upon definition of what counts as corruption remains a serious obstacle to measurement, as in practice specific indicators inevitably (even if implicitly) reflect particular definitions which can be used to support different findings (Hawken and Munck 2009).

Perhaps the key stimulus to the dominant approach to measuring corruption has been Transparency International's CPI. First released in 1995 and published annually since then,

the CPI has become established as the most widely cited indicator of levels of corruption across the world. The CPI

> captures information about the administrative and political aspects of corruption. Broadly speaking, the surveys and assessments used to compile the index include questions relating to bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and questions that probe the strength and effectiveness of public sector anti-corruption efforts.
>
> *(TI 2010)*

The CPI is a composite index, calculated using data sources from a variety of other institutions (thirteen surveys and assessments released in 2011 and 2012 were used for the 2012 index). The CPI, though, has become increasingly controversial. Although widely credited with playing a crucial role in focusing attention on the issue of corruption, the index has none the less been subject to many criticisms both on account of its methodology and the use to which it has been put (see, for instance, Razafindrakoto and Roubaud 2006; Thomas 2007; Weber Abramo 2007; de Maria 2008; Andersson and Heywood 2009; Hawken and Munck 2009; Heywood and Rose 2014). As is explicit in the title of the index, it measures perceptions rather than, for example, reported cases, prosecutions or proven incidences of corruption. This matters because perceptions can influence behaviour in significant ways: for instance, if we believe that all around us people are engaging in corrupt behaviour, that may make us more likely to adopt such practices ourselves.

One of the recognised limits of aggregate perception data is that most factors that predict perceived corruption, such as level of economic development, state of democracy, press freedom and so forth, do not correlate well with available measures of actual corruption experiences (Treisman 2007). The potential scale of the disparity between perception and experiences of corruption is starkly shown in the regular Eurobarometer studies of the attitudes of Europeans to corruption (European Commission 2006, 2008, 2009, 2012). For instance, the 2012 report, based on fieldwork conducted in September 2011, found that a strikingly high proportion of EU citizens (74 per cent average) saw corruption as a 'major problem' in their country, very similar to the levels found in the previous surveys (see Figure 10.1). In just five countries (Sweden, Finland, Luxembourg, the Netherlands and Denmark) did fewer than half the respondents agree. Those seen as most likely to be corrupt were politicians at national level, followed by politicians at regional level, then officials awarding public tenders and those issuing building permits – although personal experience of corruption remained very low, with just 8 per cent of respondents having been asked to pay any form of bribe for access to services over the preceding twelve months (European Commission 2012: 61).

More generally, reflecting the same pitfalls in survey research beyond Europe, Treisman (2007: 212) cautions, 'it could be that the widely used subjective indexes are capturing not observations of the frequency of corruption but inferences made by experts and survey respondents on the basis of conventional understandings of corruption's causes'. A detailed study of the relationship between the CPI and TI's Global Corruption Barometer, which seeks to capture the lived experience of corruption through the eyes of ordinary citizens, has also shown convincingly that experience is a poor predictor of perceptions and that 'the "distance" between opinions and experiences vary haphazardly from country to country' (Weber Abramo 2007: 6). Moreover, general perceptions cannot differentiate between various types of corruption, nor different sectors within countries. So the question of whose

QC1.1 For each of the following statements, could you please tell me whether you totally agree, tend to agree, tend to disagree or totally disagree with it.

Corruption is a major problem in (our country)

Totally agree   Tend to agree   Tend to disagree   Totally disagree   Don't know

Inner pie: EB72.2 Sept.-Oct.2009   EU27
Outer pie: EB76.1 Sept. 2011
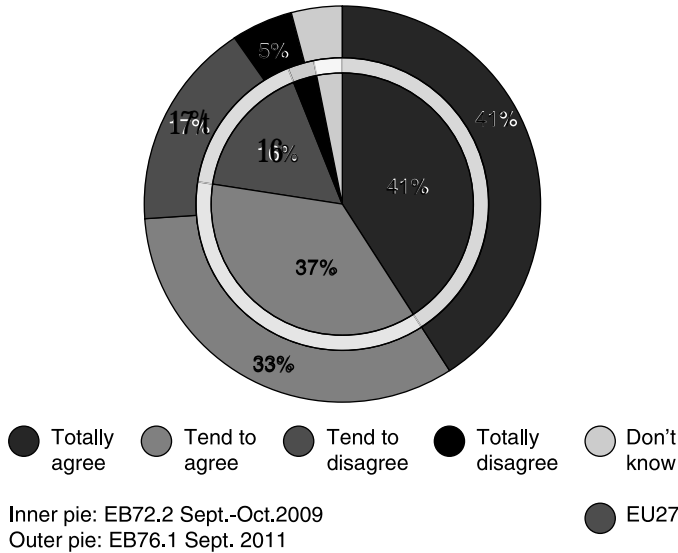
Figure 10.1   Public views of corruption in EU member-states.

Source: Special Eurobarometer 374, *Corruption* (February 2012)

perceptions, what their perceptions are of and where those perceptions derive from is important.

Since the CPI is a composite index that draws upon a series of surveys mainly aimed at Western business leaders and expert assessment, in practice the questions in many of the surveys relate specifically to business transactions (for instance, the need to pay bribes to secure contracts). Perceptions of corruption are likely to be seen primarily in terms of bribery, which cannot capture either the level of grand versus petty corruption or, indeed, the impact of corruption (Kenny 2006: 19; Knack 2006: 2; Olken 2006: 3). Moreover, the focus of questions is often on bribe-takers rather than bribe-givers: the implicit suggestion is that bribes are paid only when required by agents in the receiving country, rather than that they may be used proactively as a means to secure contracts.

A second, widely remarked problem with the CPI relates to the question of how we can properly interpret what respondents to the various surveys understand by corruption. Each of the surveys operates with its own understanding of corruption, which may focus on different aspects, such as bribery of public officials, embezzlement and so forth, and seeks to assess the 'extent' of corruption (Lambsdorff 2005: 4). However, although the surveys often ask a panel of experts to rank corruption on a scale of low to high (or some variation thereof), we cannot know whether the experts share a common assessment of what constitutes any particular location on such a scale: what seems a 'low/modest' level of corruption to one person may look high to another (cf. Søreide 2006: 6; Knack 2006: 18). In the absence of clear indicators, such rankings must be largely impressionistic. A third problem relates to the interval scales used in

the CPI index, which since 2012 ranks on a scale of 100 (previously, it presented the scale as 1–10, to one decimal place). This suggests a high degree of accuracy can be achieved and that a material difference can be identified between a country that scores, say, 70 and one that scores 67. That impression of accuracy is reinforced by the ranking being presented in a league-table format – although, since the number of countries included in each CPI varies, the position in the table can be influenced simply by how many countries are covered in any given year (see Knack 2006: 20).

Although the CPI has been very important for research, there are other types of data – also based primarily on perceptions – that have been developed to some extent as a response to criticisms of the CPI. For example, Transparency International itself has published since 2003 the annual Global Corruption Barometer, based on a Gallup survey that seeks to tap into both perceptions and lived experience of corruption, and the World Values Survey (approximately quinquennial since the early 1980s), which includes questions on attitudes to corruption (e.g., Gatti et al. 2003). The World Bank's widely used WGI includes 'control of corruption' (identified as the exercise of public power for private gain) as one of six elements (Kaufmann et al. 2003, 2006a) and is also a perception-based measure constructed through weighted averages and to some extent based on the same polls and surveys as the CPI (for examples, see Barbier et al. 2005; for a comprehensive critique of the WGI's construct validity, see Thomas 2007).

Like the CPI, the WGI is a composite approach based upon a series of other indices: control of corruption, voice and accountability, rule of law, government effectiveness, political stability and regulatory quality. As Apaza (2009: 140) has argued, the validity of applying the index rests on the ability of the WGI component indices to discriminate effectively among the six concepts and to be different from other measures of government performance. Recently, however, using both measurement and causal models, Langbein and Knack (2010) have argued that upon closer scrutiny the six indicators are far from distinct; moreover, most data users show no signs of familiarity with the underlying data. It is shown that while the indicators can provide a statistically reliable measure, 'what they reliably measure is not so clear' (Langbein and Knack 2010: 365). In fact, Thomas (2007) has argued that 'the constructs themselves are poorly defined and may be meaningless' and the UNDP (2008: 26) commented that 'by aggregating many component variables into a single score or category, users run the risk of losing the conceptual clarity that is so crucial'. If users are unable to understand or unpack the concept that is being measured, their ability to draw out informed policy implications is severely constrained.

The World Bank Institute's diagnostic surveys provide in-depth surveys of countries by using both experience- and perception-based questions, whilst the European Bank for Reconstruction and Development (EBRD)-World Bank Business survey asks more than 10,000 firm managers to estimate unofficial payments to public officials as a share of annual sales in firms 'like theirs' (although it is arguable that that these types of questions are not, as often claimed, indirectly experience based, since they ask how respondents perceive their surroundings rather than serving as an indirect way of reporting own experience; see Andvig 2005). Finally, the International Crime Victim Survey asks respondents if government officials had solicited or expected bribes for service during the last year (see Svensson 2005). Since the mid-1990s, an increasing number of academic studies have begun to use these alternative measures of corruption either instead of or as a complement to the CPI. But many of these measures face the same problems of perception-based measures in general, and, in the case of the widely used World Bank indicator 'control of corruption', the problems are very similar to those outlined above for the CPI (see Thomas 2007). (See Table 10.1.)

Table 10.1 Summary of features of measures of corruption

Index/survey source	Definition of corruption measured	Information sources	Coverage	Interpretation
Corruption Perceptions Index (CPI)	Perceived corruption (composite) and some measures of corruption control	Statistical summary of expert assessments (e.g. expatriate business executives, senior business leaders, assessment by US, regional, and in-country experts)	Almost global depending on having sufficient sources. Annual (though not all data sources annual)	Cross-sectional ranking of perception of corruption focusing on business environment
Control of Corruption Index (CCI)	Perceived corruption (composite) and some business and public opinion survey evidence and corruption control assessment	Similar sources to CPI but with some survey evidence	Almost global depending on having sufficient sources. Biannual (though not all data sources annual or biannual)	Cross-sectional ranking of perception of corruption. Sources may be somewhat wider than business environment focus of CPI
Public Integrity Index (PII)	Overall institutional environment for controlling corruption	Expert assessment	25 countries	Absolute ranking (in principle allows assessment of change over time)
Bribe Payers Index (BPI)	Perceived willingness of companies from different countries to pay bribes, and sectors in which bribery most prevalent	Business experts	21 countries based on evidence from main emerging market economies. Last carried out 2002	Ranking of perceived willingness to pay bribes in different countries. Validity of perceptions and weighting uncertain
Global Corruption Barometer (GCB) and related surveys by Transparency International	Bribe payments by households and public perceptions of corruption prevalence	Public opinion surveys and partial household surveys	69 countries in 2005, though not nationally representative in many cases	Comparative prevalence and amounts of bribe payments though quality of survey data needs validation
World Bank Enterprise Survey (WBES)	Bribe payments by firms	Surveys of businesses	62 countries, various years	Quantitative comparisons of bribe prevalence and cost
Governance and Corruption Diagnostic Surveys (GCDS)	Bribe payments by households	Household surveys	16 countries	Quantitative comparisons of bribe prevalence and cost

Source: OPM (Oxford Policy Management) 2007.

Methodological issues

It follows from the above that for large aggregate indicators such as the WGI, CCI or CPI, a gap can be identified between the concept and its measurement (Andersson and Heywood 2009; Langbein and Knack 2010). The cross-pollination of assessment criteria, a lack of transparency and data from different sources creates a tautological relationship between the dependent and independent variables, meaning that the indicators of the concept of corruption do not always relate systematically and reliably to how it has been defined (Amdt and Oman 2006; Langbein and Knack 2010: 351).

Hawken and Munck (2009) conducted an examination of the quantitative, cross-national literature on corruption that made use of the CPI and CCI between 1995 and 2009 – the first independent empirical assessment of the nearly full range of indicators used in corruption research (specifically, seventy-six articles that appeared in prestigious economics journals) as well as the two most widely used indices. The paper focused on two methodological choices. The first was the class of source used to generate data on indicators. Based upon the characteristics of the evaluator as the criterion of classification, five classes were identified:

1.   expert rating by commercial agency;
2.   expert rating by an NGO;
3.   expert rating by a multilateral development bank;
4.   surveys of business executives;
5.   surveys of the mass public.

It was shown that some evaluators are stricter than others, thereby generating a systematic margin of error (which reached as high as 14.7 per cent) both within and across countries and regions. Thus,

> As the analysis of indicators shows, a substantial amount of variation in reported levels of corruption is not attributable to variation in actual corruption or to random measurement error but, rather, is driven by the choice of evaluator and hence is an artefact of the method selected to measure corruption.
>
> *(Hawken and Munck 2009: 12)*

The second methodological choice was the aggregation procedures. The process of combining multiple (weighted) indicators was put forward as a way to reduce the measurement error of the individual indicators. Specifically, Kaufmann et al. (2006a, 2007) argued that by putting different individual indicators into common units, through a linear and additive aggregation rule, it is possible to measure corruption between countries whose data does not necessarily correspond in terms of time period or sector. However, this process 'hinges on the assumption that any error in the individual indicator is random as opposed to systematic and independent across sources' (Hawken and Munck 2009: 13). As Apaza (2009: 141) has pointed out, by collapsing different data sources, often selected only on the basis of convenience rather than theoretical justification, the aggregation model is unable to offer any nuance on the nature, category or concept of corruption. As a result, we cannot be sure of the underlying accuracy or what we are actually measuring. Therefore, even if consensus and high correlations exists between the CCI and CPI in the first place, this is by no means indicative of accuracy or validity: 'In a nutshell, data on corruption suffer from a fundamental problem, the fact that different data sets used in quantitative research are routinely associated with different

findings, and that the relative validity of different measures of corruption and hence of the different findings is not readily apparent' (Hawken and Munck 2009: 2).

Nevertheless, the worldwide coverage offered by large datasets, a claim that can be made by Transparency International's CPI, Freedom House and the World Bank Institute's CCI, has led to their widespread adoption by academics looking to test variables, the large-*n* cases offering a ready-made basis for analysis. As UNDP has noted,

> many of these same academics are critical of the methodologies used to generate these indices. Nevertheless, for academic users and researchers, the global coverage of data seems to trump data quality. After all, it is much easier and quicker to run a regression analysis using someone else's data, compared to the hard work of generating one's own.
>
> *(UNDP 2008: 45)*

Similarly, Urra (2007) also identified three problem-types that persist in the main aggregate measures of corruption (CPI, BEEPS and WGI):

1. the perception problem;
2. the error problem;
3. the utility problem.

The perception problem is the large margin of error created when subjective indicators are used to produce complex statistical constructions that can easily create an illusion of quantitative sophistication. The error problem refers to both the internal margins of error already contained within the various sources of corruption data and errors relative to the concept itself; thus, corruption research confronts not only sampling errors inherent to any social-science research but also the fact that any proxy for corruption must by definition be imperfect. The utility problem refers to the gap between measurement and solutions: the criticism here is that corruption assessments that are too broad are in turn difficult to convert into concrete anti-corruption initiatives. Azas and Faizur (2008: 11) argue that perception-based measures are actually antithetical as a means of combating corruption because perceptions are strongly influenced by factors that have little to do with underlying realities. There is evidence that the CPI, for instance, acts as a 'lagging indicator', incorporating data that is two to three years old and is thus out-dated, especially in the face of burgeoning corruption scandals and/or prevention schemes and economic crises (Kenny 2009: 317). In addition, a government that wants to lower its corruption perception, and in doing so invites foreign experts and generates media attention about its efforts, does not necessarily combat corruption per se but may still generate propaganda to change perceptions. In addition, such efforts can lead to a 'demonstration effect' whereby people emulate what are seen as practices that go unpunished, thus creating the impression that bribes must be paid, and it is alright to accept them in order to get things done (Cabelkova 2000).

Governance, democracy, development and corruption

The data from TI's CPI suggest that GDP per capita correlates negatively with corruption, a statistical finding that has led to the widely accepted causal hypothesis that good governance leads to, or is a predictor of, economic development. Although this has assumed an almost scholarly consensus (Mauro 2004), it has undergone surprisingly little empirical scrutiny.

There is a potential problem of circularity when exploring the relationship between 'good governance' and corruption. A study by Kurtz and Shrank (2007: 539) of the WGI indicators has shown that those that seek to measure the probity and efficacy of bureaucracy are significantly coloured by recent economic performance and that perception-based measures are riddled with problems of adverse selection, and feature deeply entrenched biases for and against various public policy alternatives that are logically distinct from questions of public-sector effectiveness.

In fact, the contemporary paeans to public-sector probity are so pervasive as to imply that the link between growth and governance is an article of faith or a starting point for analysis rather than a hypothesis subject to falsification (Kurtz and Shrank 2007: 538).

As the principal means of promoting democracy and development, as well as combating corruption, 'good governance' became a catch-all epithet of the development community. In fact, concerns with governance and corruption emerged in the 1990s in response to the widespread failure of World Bank Structural Adjustments Programs (SAPs) and the loss of credibility of the so called 'Washington Consensus'. The criticisms, both economic and political, of the first generation neo-liberal reforms point out that governance and corruption 'provide convenient cover and an excuse for failure of policies not designed for development in the first place' (Azas and Faizur 2008: 13). This latter point perhaps pushes the case against the notion of corruption to a polemical extreme; however, it also draws attention to the now inextricable relationship between development and efforts to measure and, therefore, control corruption. In fact, using the example of African corruption, de Maria (2008) has argued the TI's CPI can be used to subvert public administration to the agenda of Western economic interests. Termed 'neo-colonialism through measurement', it is argued that corruption cannot be comprehended outside the experience, nor can it submit to empirical investigation (de Maria 2008: 185). Whilst the CPI is perhaps 'oblivious to cultural variance', this type of critique is symptomatic of a post-structuralist 'critical turn' in the social sciences which tends to overstate the difference of the particular, thereby closing the analytical space for comparative and policy work (de Maria 2008: 188).

Unlike econometric indicators, which are commonly used to quantify and categorise developmental processes and outcomes, it is now widely agreed that corruption measurement requires much more elaborated constructions, subject to complex and, often subjective, inputs (Urra 2007). As shown above, a major criticism of corruption measures derives from biases in individual indicators, such as the perceptions of business leaders. For business people, good governance might mean low taxes and minimal regulation (e.g., free trade), whilst wider public demands might be for reasonable taxation and appropriate regulations (e.g., import inspections) (Apaza 2009: 142). Therefore, where perception, policy and action meet, good governance can act as a euphemism for the free market, an idealised role for civil society that rarely exists in practice and a clear separation of the bureaucracy from political influence – three factors that, when applied through various policies, can actually exacerbate underlying problems. Thus, in situations where business people feel aggrieved by regulations and taxes, they may have a different evaluation of corruption compared with that of ordinary citizens.

Indeed, there is a paradox of development aid becoming increasingly conditional on the implementation of reforms that are impossible to achieve without that aid, hence generating the risk of a 'corruption trap' (Andersson and Heywood 2009). In light of this, it is possible to point towards an inherent politicisation of perception indices when (business) respondents with interests in a small non-interventionist state might report negatively upon states with stronger regulatory environments. This is not helped by the tendency for specific corruption

studies to select their cases on the dependent variable, often not examining comparable cases in which corruption was less severe (Hopkin 2002, cited in Kurtz and Shrank 2007: 542).

The critical warning, therefore, is that 'links between governance and growth are thus more to likely to be artefacts of measurement than reflections of underlying causal dynamics' (Kurtz and Shrank 2007: 539). This has reportedly led to a diminished credibility of corruption perception measures in the eyes of many governments. A delegate at an international NGO reported that their personnel face problems working with governments because perception-based indicators fail to provide sufficient leverage to start a discussion on what needs to be tackled on the governance and anti-corruption agenda (UNDP 2008: 42).

It has also been suggested that, paradoxically, measuring the perception of corruption rather than corruption itself skirts the problem of measurement (Olken 2006: 2). Yet this also raises the question of how those being surveyed form their perceptions in the first place and whether this correlates with objective conditions. Methodological interest has turned, therefore, towards the attempt to ascertain the accuracy of corruption perceptions, by correlating opinion-based surveys with objective studies. For instance, Svensonn (2003) conducted a study of bribe payments made by Ugandan firms using a unique quantitative data set combined with detailed financial information from the surveyed firms; Olken (2007) has constructed a 'missing expenditure' measure of a road-building project in rural Indonesia by using engineers to estimate the prices and quantities of inputs in the road and comparing this to official village expenditure and the perceptions of villagers themselves; Seligson (2006) collected data on corruption by using victimisation surveys designed to gather information on specific government departments or officials by means of denunciation, where the questions in the survey invite the respondents to denounce corrupt acts and portray themselves as victims of corruption instead of active partners in corrupt transactions; and Ferraz and Finan (2008) have used external audits, released by the Brazilian government, to construct an objective measure of corruption based upon the number of violations associated with corruption. This allowed the authors to assess how the publication of incidents of theft or graft empowered voters to punish politicians at the polls.

Although there is no overall uniformity in the corruption measures deployed, what unites these studies is an attempt both to look beneath aggregate indicators such as CPI scores and GDP and also to provide a more nuanced account of how reliable perceptions are as well as the social context in which they were formed in the first in place. As Kenny (2009: 329) has suggested, using 'output measures may better capture the development impact of corruption as survey data is likely to be more reliable than perceptions data, and so it is worth comparing the two to measure the accuracy of general perceptions scores as a proxy for corruption at the sector level'.

Notwithstanding this advantage, such an approach does not overcome the problems, outlined above, in terms of the internal limits of perception-based data. For instance, Olken (2006) finds that personal and community characteristics, such as ethnic heterogeneity, were significantly more correlated with corruption perceptions than were levels of objectively estimated corruption. Therefore, the idea that it is possible to retrospectively test the reliability of perception indices by correlating that aggregate data with specific empirical findings is open to further question. Consequently, research developing innovative small-scale corruption measures does not offer greater theoretical sophistication but trades conceptual work for rigorous empiricism. In part, this is perhaps because such work is informed by the notion, pervasive especially in neoclassical economics, that the main barrier to accurate measurement

is not methodological, but information asymmetries. By improving the quality of data and grasping the limits and biases of the original perception indicators, more rational action can be induced within the development community. Yet, as it stands, the usefulness of such research 'is limited by the lack of a rigorous conceptual framework since it is not clear how to identify a corrupt act or how to generate an aggregate corruption measure' (Foster et al. 2009: 2). This suggests that research exploring both subjective and objective indicators is best suited to sub-national studies, a methodological caveat that precludes using the same strategy for national-level and wider comparative measures (Golden and Picci 2005). Indeed, given that most corruption takes place in local contexts, it is questionable why so many measures focus on the national level.

Development practitioners interviewed for a report published by the UNDP (2008: 41) report 'consistently that the most useful indicators are those that provide deep contextual information: Are there sufficient legal mechanisms to hold executive officials accountable for their actions? Are law enforcement officials paid appropriately? Are civil servants hired based on their qualifications and merits?' And in response to the paucity of international corruption measures that focus on poverty and gender issues, the UNDP has suggested that new indicators need to be developed at the national level. Questions such as 'How do poor women's experiences with corruption compare to poor men's?' need to be answered, but, as it stands, they are not (UNDP 2008: 29).

New directions in corruption measurement

As Hawken and Munck (2009: 21) have recognised, the task of measuring corruption, especially by developing cross-national data sets of broad scope, is laudable and welcome. Unfortunately, though, variations in reported levels of corruption are commonly a product of the prevailing methodologies as opposed to actual levels of corruption. The injunction they offer is to know your data. Thus, despite the drawbacks, available data should not be jettisoned out of hand but instead employed to generate a better index, through sensitive analysis of methodological choices on the basis of available data. In practice, this would require a narrower empirical scope, as both indicators and aggregation rules would first be based upon theory and rigorous tests; therefore, 'at this point it would be preferable to test theories about the cause and consequences of corruption with a smaller N than is provided by indexes such as the CPI and the CCI but with greater certainty that the data are more valid' (Hawken and Munck 2009: 24).

This shift would require a greater qualitative emphasis. One positive benefit of qualitative studies is the depth of insight they can offer. The main drawbacks, however, is that they can be bulky, hard to summarise and difficult to compare across countries (UNDP 2008: 44). The UNDP Oslo Governance Centre (OGC) published *A User's Guide to Measuring Corruption* (UNDP 2008), commissioned from the NGO Global Integrity and produced in collaboration with the anti-corruption community, governance practitioners, researchers, policy-makers and donors. The guide explains the strengths and limitations of different measurement approaches and provides practical guidance on how to use the indicators and data generated by corruption measurement tools to identify entry points for anti-corruption programming. Notwithstanding existing problems, it argues definitively that corruption can be measured. The solution offered is to 'employ multiple sources of quantitative data, qualitative narrative analysis and real-life case studies to "paint a picture" of corruption in a country, sub-national, or sector context' (UNDP 2008: 8) (see Box 10.1).

Box 10.1 **Summary of key phrases**

Assessments   Broad contextual analyses of the state and drivers of corruption that often rely on multiple indicators of corruption, including qualitative and quantitative corruption indicators.

Composite indicators   A composite or aggregate indicator is one which combines different measures of a similar thing into a single measure. A well-known example of this would be the Human Development Index which measures human development by combining indicators of life expectancy, educational attainment and income.

Corruption indicators   Refer to discrete, often quantitative, measurements of a particular aspect of corruption (including the 'level' of corruption).

Governance   Like corruption, the meaning of governance is manifold. For UNDP, it comprises the mechanisms and processes for citizens and groups to articulate their interests, mediate their differences and exercise their legal rights and obligations. It is the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms.

Objective indicators   Indicators constructed from undisputed facts. Typical examples might include the existence of anti-corruption laws or the funding received by the anti-corruption agency.

Perception-based indicators   Indicators based on the opinions and perceptions of corruption in a given country among citizens and experts.

Experience-based indicators   These indicators measure citizens' or firms' actual experiences with corruption, such as whether they have been offered or whether they have given a bribe.

Proxy indicators   Buoyed by the belief that corruption is impossible to measure empirically, proxy indicators assess corruption indirectly by aggregating as many 'voices' and signals of corruption, or by measuring its opposite: anti-corruption, good governance and public accountability mechanisms.

Pro-poor and gender-sensitive indicators   A pro-poor indicator requires a focus on those living in poverty, and a gender sensitive indicator captures the different experiences and interests of women and men. Such indicators are useful to track the potentially different impacts that the mechanisms and processes of governance have on different social groups.

Input-based corruption indicators   Also called *de jure* indicators, these are indicators measuring the existence and quality of anti-corruption or governance institutions, rules, and procedures, i.e., the de jure rules 'on the books'.

Output-based corruption indicators   Also called *de facto* indicators, these are indicators that measure the impact of corruption on quality of life and public service delivery, i.e. the de facto deliverables of the governance system. These are difficult to precisely measure other than through proxy measures.

National ownership   Refers to when local stakeholders, not outsiders, have driven and controlled the production of an assessment. Moreover, it is based on the premise of consulting with a broad range of national stakeholders, such as the government, civil society and the private sector.

Source: UNDP 2008

The guide suggests an 'informal taxonomy' that classifies corruption indicators into four categories:

1. the scale and scope of indicators;
2. what is actually being measured;
3. the methodology employed;
4. the role that internal and/or external stakeholders play in generating the assessments.

Given that the two terms are often conflated, as shown above, an attempt is made to distinguish between 'corruption' and 'governance'. The former is identified as just one, albeit important, aspect of governance, making it necessary for users of indicators to understand where corruption stops and governance begins. In the UNDP report, some of the professionals interviewed, echoing some of the points raised above, also insist that local indicators, developed in-country by domestic stakeholders rather than by international or external actors, should be the future of the corruption metrics field. These metrics are, by some standards, quite limited: they have little or no international coverage, are often purely qualitative and may not be continued from year to year. But highly localised indicators that are customised to national or sub-national needs have the significant advantage of being designed from the beginning to yield actionable data (UNDP 2008: 43).

Along with the more established and widely used corruption indicators discussed above, a newer generation of measurement and assessment has emerged, like the Ibrahim Index of African Governance, the Global Integrity Report and the Global Integrity Index. Joined by country-specific indicators, this proliferation has raised criticism of a duplicative and distracting field that is in fact harmful to effective donor coordination and harmonisation of the reform agenda.

Often the only thing that seemingly redundant measurement tools have in common is some combination of the words 'governance', 'corruption', 'transparency', 'accountability' or 'democracy' (UNDP 2008: 12).

However, it is noteworthy that in May 2011, Global Integrity decided to remove from its website the Global Integrity Index which had ranked countries, citing as part of the reason that it was

> a conscious attempt to reinforce a key belief that we have come to embrace after many years of carrying out this kind of fieldwork: indices rarely change things. Publishing an index is terrific for the publishing organisation in that it drives media coverage, headlines, and controversy. We are all for that. They are very effective public relations tools. But a single number for a country stacked up against other countries has not proven, in our experience, to be a particularly effective policy making or advocacy tool. Country rankings are too blunt and generalised to be 'actionable' and inform real rebate and policy choices. Sure, they can put an issue on the table, but that's about it.
>
> *(Global Integrity 2011)*

The emerging consensus in the field, therefore, is that disaggregated, qualitative and internal/local assessments will more likely lead to actionable insights than composite, perception-based indicators. In an effort to move beyond inputs and outputs, researchers have also turned to political-economy approaches that have been developed to understand what drives corruption in a country-specific context. This is premised on the notion that governance and corruption reforms are shaped by power relations embedded in social, political, cultural, institutional and historical contexts. However, '[a] power analysis in development projects

does little to help donors understand how to support and operationalise the findings' (UNDP 2008: 25). Nevertheless, it is hoped that 'newer tools may help make such analyses more actionable in the future' (UNDP 2008: 25).

The UNDP report maintains that the panoply of corruption indicators can be complementary rather than inimical to each other. One set of indicators is not necessarily better or inferior to another – it depends what is being measured and toward what end (UNDP 2008: 36). The example used to support this claim is taken from Sierra Leone, where statistical evidence (drug inventories from central government) pointed towards deep corruption as only 5 per cent of resources provided by central government could be accounted for at the local level. However, based upon perception surveys, it was clear that systemic corruption in the health-care system was not present in the minds of the public. In this case, the perceptions of corruption, or outputs, did not match more objective measures of the sector's inputs. Such findings have raised further concern about the accuracy and usefulness of the methods used to measure corruption. The Pilot Project conducted by the Hungarian Gallup Institute (HGI 1999) is often cited in the literature as evidence of the fundamental weaknesses of when different corruption measures are conflated. One of the central points made by the HGI is the methodological difference between the measurement of petty corruption (which would depend upon the perceptions of local people and provide a more accurate measure of corruption) and white-collar corruption in the higher spheres of state or business administration. Whilst the two are certainly not mutually exclusive, establishing a causal link is, in practice, highly problematic, even the though the latter can only exist within the established governance and social frameworks of the former.

In response, international agencies have pushed for 'actionable' indicators that measure specific features of corruption that are directly linked to policy decisions.

'To put it plainly, there is little value in a measurement if it does not tell us what needs to be fixed' (UNDP 2008: 8).

A possible alternative proposed by Johnston (2006) is not to measure corruption across whole societies but rather to focus upon the observable effects of corruption and the incentives that sustain them. Starting with specific agencies, different levels of government and official processes would, it is argued, be better suited to tracking change over time. More specifically, some have proposed to measure corruption as the percentage of government officials willing to accept a bribe (Çule and Fulton 2005). However, a possible pitfall could be the instrumentalisation of action indicators. Trumpeting a particular policy area or sector can create a reform illusion, where direct measurement of a particular area of corruption concern (e.g., civil service) is taken as a proxy for action, with concomitant effects on perception (cf. Heywood and Meyer-Sahling 2013).

Also in response to the fact that the literature currently lacks a unifying framework by which different corruption measures can be placed together, Foster et al. (2009) have developed an 'axiomatic' research framework. Their approach seeks to deal with the plethora of available corruption measures with even greater mathematical sophistication through formal modelling, generating averages, of corruption indicators. This is said to provide a transparent methodology for classifying corruption measures, which, it is argued, can aid the researcher or policy-maker in choosing a measure and interpreting empirical findings largely because these measures 'generate additional insights and illuminate distinct dimensions of corruption that cannot be seen with the standard perception-based measures' (Foster et al. 2009: 15). The path down which this leads corruption research points towards further abstract formal modelling:

> Though our analyses are preliminary, we believe they are quite promising. Our methods of organising data, constructing corruption measures, and specifying

axioms, are readily implemented given appropriate data. They suggest additional survey questions that can improve the accuracy of results and their comparability over space and time. However, to assess whether a given comparison is statistically significant, or to test associated hypotheses concerning corruption, an additional set of statistical tools will need to be developed.

(Foster et al. 2009: 15)

Focusing on corruption in the Netherlands, Shacklock et al. (2006) argued that it is possible to assess the extent and prevalence of corruption by treating it as a specific subpart of a broad typology of integrity violations. The case is put forward to triangulate research, on municipal councils and police forces, by collecting and comparing information from different sources and methods, at different levels and in different sectors as well as at different points in time. Using the analogy of an iceberg, by descending below the surface the position of the Netherlands as an almost corruption-free country (in the top ten of the CPI with a score of 8.7) is put under closer scrutiny. The next layer of the iceberg, surveys of corrupt behaviour in the workplace, provides an indication of nepotism, patronage and cronyism and the bottom layer focuses on self-reported behaviour. This allows researchers to question the relationship between reputations and actual levels of corruption and the disjuncture between employees perceiving corruption and initiating internal investigations. Nevertheless, it also gives rise to a so-called 'integrity paradox' whereby greater vigilance and more numerous investigations may point towards greater corruption when in reality this may not be the case. This reflects the broader problem of never being able to bring all corruption to the surface, provoking the sanguine, but honest, conclusion that

[r]esearchers on corruption will have to live with the weight of the 'dark numbers'. We are exploring different parts of the iceberg in order to find out more about its characteristics as well as its extent. All presented methods have their problems as well as possibilities. All our research contributes to our knowledge about the complex and diverse nature of the corruption phenomenon.

(Shacklock et al. 2006: 32)

Other country-focused assessments are provided by GRECO's (Group of States Against Corruption) country evaluations, the Working Party on the OECD Anti-Bribery Convention and TI's National Integrity Systems (NIS) studies. All attempt to produce a country-specific analysis of problems relating to corruption and bribery, whilst operating with a broader template concerning the conditions under which corruption and bribery occur (Philp 2006). These reports have the advantage of uncovering issues which may be particular to states, thereby distinguishing elements of corruption that may be culturally distinctive or more widely shared with other societies (Philp 2006). Equally, TI has responded to the call for greater vigilance toward the behaviour of the West's business community by creating the Bribe Payers Index (BPI) to examine the 'supply side of corruption', focusing on the role of foreign firms from developed industrialised nations in offering bribes. This measure will go some way towards recognising the internal dynamics of corruption, rather than reducing it to a problem of developing nations.

Conclusion

This chapter has argued that the major corruption measures, such as the CPI, CCI and WGI, which make use of cross-national perception indices to rank countries, have been subjected to

far-reaching criticisms. Concerns have been raised about both their methodological consistency and the political implications of the results they produce. It has been suggested that they all suffer from internal biases that may be more systematic than the creators, from TI and the World Bank, wish to admit. Nevertheless, the consensus is not to jettison such measures out of hand but rather be more aware of their potential limitations when academics and development practitioners seek to build on this still valuable research data. The embrace of more objective hard measures, as opposed to subjective soft measures, has highlighted ways in which researchers can generate data on new indicators that are, in the first instance, disaggregated from proxies such as poverty, economic growth and levels of democracy. This requires the setting aside of presuppositions generated by categories such as good governance, which, much like corruption itself, has no fully agreed definition. It is cautioned, however, that the difference between subjective and objective should not be overstated (Hawken and Munck 2009).

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11

THE SILENCE OF CORRUPTION

Identifying underreporting of business corruption through randomised response techniques

Nathan M. Jensen and Aminur Rahman

The relationship between corruption, politics and business activity has long been a contentious area of research.[1] Corruption can impose a tax on business, which is not only costly to individuals and firms but can be arbitrary and unpredictable. It can affect the incentives of firms and investors, increasing rent-seeking activity. Yet, corruption can also increase economic efficiency where it greases the wheels of business, either as collusion between public officials and firms or simply as a mechanism that increases the efficiency of business by using informal mechanisms to overcome formal barriers to economic activities.

Utilising the techniques of Azfar and Murrell, we examine the extent of business corruption in a survey of firms in Bangladesh (Azfar and Murrell 2009; see also Clausen et al. 2010). Isolating our study to a single country allows us to sidestep many of the difficult cross-national comparisons of individual responses to survey questions and complements existing cross-national research on corruption.[2] Yet our research project is confronted with the same empirical research design issue as literally decades of scholarship: the measurement of corruption.

The most serious problem with corruption research is the ability to directly measure corruption. Corruption often entails illegal and unethical activities where one or more parties have incentives to conceal corrupt acts. Thus, one response to this measurement problem is to rely on the opinions of experts on the levels of corruption. Unfortunately, this fails to uncover the vast differences in experiences with corruption across firms and still suffers from the same measurement problem.[3] Works such as Treisman (2007) document the dramatic differences between perceptions of corruption and self-reported individual experiences with corruption. If 'experts' aren't directly observing individual acts of corruption, what information are they using to evaluate the level of corruption in a country?

In recent years, numerous new sources of corruption data have become available (Treisman 2007). These new data sources have led to some shifts in research from expert opinion on the overall level of corruption to firm-level surveys of individual experiences with corruption.[4] This allows for direct measurement of corruption and leaves room for variation across firms. Unfortunately, this firm-level analysis requires us to rely on self-assessments by firms. If these questions are politically sensitive, personally embarrassing or could lead to criminal sanctions, we should be dubious about the incentives of firms to provide truthful answers. This potential

bias in self-reporting of business corruption has implications for academic studies of corruption.

One strategy used within firm-level surveys is to ask the enumerator to evaluate the perceived level of truthfulness of the respondent. This strategy has the strength of allowing enumerators, often during face-to-face interviews, to use qualitative judgements to evaluate the truthfulness of respondents. Yet these are based on perception that can be biased, and they provide an overall evaluation of truthfulness rather than one linked to specific questions. One innovation in this paper is that we directly illustrate the limits of this approach within our survey.

To evaluate the extent of truthfulness we utilise a randomised response technique (RRT), a technique used to examine corruption in a seminal work by Azfar and Murrell (2009). This strategy is simply to have respondents flip a coin for each question we ask. If the coin turns up heads, the respondent automatically responds 'yes' but is instructed to answer truthfully if the coin turns up tails. If respondents are answering questions truthfully, at least half of the responses should be 'yes' (since 50 per cent of the coin flips should be heads). If we find that respondents answer 'no' to corruption questions more than half of the time, they are, in the language of Azfar and Murrell, systematic 'reticent' responses on the survey. Our survey results do indeed show systematic reticent responses on politically sensitive questions, such as levels of corruption and the extent of tax evasion. We find that the same types of firms that have a propensity to provide reticent responses to our RRT are also the firms that are likely to provide non-responses to direct questions on corruption.

Our chapter proceeds as follows. In the next section we provide a brief overview of the relationship between corruption and investment. In the third section we provide an overview of our survey of firms in Bangladesh, explain our research design and present our results. In the fourth section, we provide a descriptive discussion of patterns of non-response and reticent responses. The conclusion reiterates our main findings and explores implications for future research.

Corruption and globalisation

There is a large body of literature exploring the relationship between business corruption and economic outcomes. At a minimum, corruption is a tax on business that increases the costs of firm operations (Vernon 1971, 1977; Wells 1977; Ackerman 1975, 1975, 1999). Yet the cost of corruption can be much greater than the direct costs. First, corruption can disadvantage the international investments from firms headquartered in countries with strong anti-corruption laws (Cuervo-Cazurra 2006). For example, the passage of the 1977 US Foreign Corrupt Practices Act led to a decrease in US investment in countries with higher levels of corruption (Graham 1984; Kim and Barone 1981.) This can give the advantage to firms from countries with weaker anti-corruption laws. Second, its negative impact is greater than a transparent tax because illegality requires secrecy (Shleifer and Vishny 1993). Third, corruption can increase rent-seeking, distorting economic decisions (Kreuger 1974; Bhagwati 1982; Murphy et al. 1995). Finally, corruption can have important political repercussions. At the mass level, corruption affects attitudes towards government (Anderson and Tverdova 2003) and even has an impact on reported happiness of citizens (Tavits 2008).

These negative impacts, both direct and indirect, may deter domestic and foreign investment.[5] This impact can be heightened when corruption is unpredictable (Campos et al. 1999; Malesky and Samphantharak 2008). Finally, the structure of corruption, specifically if there is a single agency demanding rents or if multiple agents all have opportunities for corruption, affects both the level and the impact of corruption (Olken and Barron 2009).

Alternatively, corruption can be affected by globalisation. One mechanism is that economic openness can affect the level of economic rents available for business, where liberalisation can lead to a decrease in corruption by increasing economic competition (Ades and Di Tella (1999). Foreign investment can also introduce Western business practices, leading to a diffusion of anti-corruption norms across countries (Sandholtz and Koetzle 2000; Gerring and Thacker 2005; Kwok and Tadesse 2006).

These plausible theoretical accounts of the relationship between globalisation and corruption require high-quality corruption data. Ideally, the measurement of corruption would draw on objective measures of corruption rather than perception-based measures such as those used by Transparency International (Sandholtz and Gray 2005). Unfortunately, measuring corruption objectively requires novel research design strategies for a number of reasons. First, firm managers may be generally reluctant to answer politically sensitive questions (Lensvelt-Mulders et al. 2005; Azfar and Murrell 2009). This reluctance can stem from social factors, where firm managers may be hesitant to express personal beliefs that are considered taboo.[6] Second, and more relevant for this chapter, the political environment can affect responses to firm-level surveys. Jensen, Li and Rahman (2010) analyse cross-national firm-level Productivity and Investment Climate Surveys (PICS) administered by the World Bank. They find evidence for non-response and false responses on corruption questions in the PICS. Specifically, in countries with lower levels of press freedom and political freedom, a larger percentage of firms tend to provide false responses to the corruption questions and a large number of responses fit patterns of false response. They find that in countries with lower levels of press and political freedom, firm-level survey data tends to underreport levels of corruption.

While this use of surveys regarding individual experiences with corruption is flawed, the alternative, using expert surveys, is marred by other forms of measurement error. Perhaps the most disturbing is noted by Treisman (2007: 241):

> The good news is that we are getting better and better at constructing indexes of perceived corruption and fitting explanatory variables to the cross-national variation in them. The R-squareds now achieved are quite remarkable. The less good news is that these indexes do not correlate with measures based on direct experience. These facts together raise a nagging suspicion. It is possible that the ratings we have been analyzing measure not corruption itself but guesses about its extent in particular countries that experts or survey respondents have derived by applying conventional theories about corruption's causes. These same conventional theories inform the hypotheses of researchers, which turn out – surprise! – to fit the data well. Believing that democracy reduces corruption, the experts give high grades to democracies; researchers then discover that democracy predicts a low perceived corruption rating.

This serious concern that subjective perceptions are taking the place of objective measures has led many researchers to continue to refine methods for the collection of objective data on corruption experiences. In this paper we take seriously the potential for non-response and reticent responses in the firm-level surveys of individual experiences with corruption. In fact, we utilise a survey methodology to examine patterns of non-response and reticent responses to survey questions on corruption. This methodology helps to identify and correct for these responses, whether they are generated by social or political factors.

Research design, data and analysis

To explore the relationship between investment and corruption, we utilise the Bangladesh Business Confidence Survey from the fourth quarter of 2009. This survey was conducted on a quarterly basis from the first quarter of 2009 to the first quarter of 2010 by the Bangladesh Investment Climate Fund (BICF) and involved leading Bangladeshi survey research firms.[7] The objective of the survey is to read the pulse of the economy and the mood of the business community on a quarterly basis. Typically, the owners or the managers of a nationally representative sample of firms were surveyed covering all the six divisions of the country. In the survey, business owners or managers report on their current business situation compared to the immediate past and anticipate business conditions for the near future in terms of investment, employment and profitability. Jointly with one or more leading business chambers, BICF disseminates the survey findings in a high-profile national workshop which captures extensive print and electronic media coverage and includes key policy makers of the government, such as the commerce minister, prime minister's advisers, leading economists and development practitioners, private-sector leaders, business community leaders and representatives from relevant government organisations. The role of government officials in the dissemination of the survey isn't unique to the Bangladesh Business Confidence Survey, and this government involvement can cause non-response and false responses on politically sensitive questions (Jensen et al. 2010). This is especially important since the survey includes a set of questions on the operations of firms, firms' experience in dealing with different government authorities and the effects of different government policies on firm investment. Later in this chapter we outline our strategy to deal with the issue of non-responses and reticent responses within our survey instrument.

Our survey wave includes a total of 1,417 owners or managers spread across all of the six administrative divisions, although the largest percentage of firms (45.07 per cent) are located around Dhaka, the capital and the centre of most of the economic activity in the country. The nationally representative firms in this survey, mirroring the universe of firms in Bangladesh, tend to be small, with over half of the firms employing fewer than ten workers and less than 7 per cent employing more than fifty workers. This includes a mix of newer and older firms, where slightly more than 50 per cent of the firms were established before 1999. Finally, the firms in the survey are almost evenly split between firms in urban areas and rural areas (51.67 per cent to 48.33 per cent respectively).

The largest number of firms are located in the manufacturing sector (33.61 per cent), followed by wholesale and retail trade (21.94 per cent), finance (13.82 per cent) and the hotel and restaurant industry (10.83 per cent). The vast majority of these manufacturing firms are in the textile industry engaging in the production of garments, leather goods or other textiles.[8]

Unfortunately, Bangladesh's low levels of development and limited success in attracting foreign investment do not allow for sufficient variation in ownership structure for us to make comparisons across owners. Only 5.14 per cent of the firms in our survey are publicly listed and over 67 per cent are sole proprietorships. Only eight observations are foreign-owned firms, and twenty-six observations are government-owned enterprises. This lack of variation in ownership type limits our ability to analyse how different ownership types affect firms' experiences with corruption.

While the limited variation in the types of firms operating in Bangladesh constrains our ability to examine certain questions, such as the differences in foreign versus domestic firms' experiences with corruption, Bangladesh has other advantages for the study of how corruption affects firm activities. Bangladesh ranks 134 out of 178 in the 2010 Transparency

International Corruption Perception Index and is thus one of the most corrupt countries in the world. Bangladesh ranks in the bottom third in global governance indices such as the Doing Business rankings and the World Bank Institute (WBI) indicators for government effectiveness, rule of law and control of corruption. Reviews of the country's governance, most notably by Bangladeshi experts such as BRAC University's State of Governance Reports, have noted entrenched problems in many key public institutions (IGS 2009).

Our research on corruption and investment in Bangladesh complements existing cross-national and single-country studies of corruption. Researchers attempting to measure firm-level corruption have the options of directly asking respondents about the level of corruption or asking firms about their overall perceptions of corruption. The first strategy requires firms to potentially incriminate themselves, while the second strategy requires meaningful subjective assessments.[9]

The first question we explore is a routinely asked question in the Bangladesh survey on changes in the level of corruption. The question asks about increases or decreases in the level of corruption over the last quarter. The exact wording of this question is presented in the Appendix.

In Table 11.1, we present the responses from the 1,417 firms surveyed. These results indicate a general stability in the level of corruption, with a slightly higher percentage of managers (21.81 per cent) indicating a decrease in corruption compared with those who indicate an increase in corruption (13.83 per cent). These results provide some insights into the changing level of corruption over time. However, these general questions on corruption mask important differences in firm managers' personal experiences with corruption, as general levels of corruption may have a low correlation with actual firm experiences with corruption.

An alternative approach is to ask firms directly about their evaluation of the role of corruption in affecting business activity. The second question that we explore is a question on the relationship between a number of different factors and business activity. Along with a number of factors related to economic elements affecting business, one factor asks for an evaluation of corruption (Question 2[J]). We present the exact wording of this questions and potential responses in the Appendix.

As presented in Table 11.2, the majority of firms respond that corruption has no impact on their business. Unfortunately, the collection of the survey data doesn't allow us to differentiate 'No impact' from the responses providing non-responses, which are thus coded as 'No impact'. The sizeable minority of firms claiming corruption has a moderately negative impact (26.11 per cent) is important and has clear policy relevance. But do these levels of corruption distort investment decisions and ultimately have a negative impact on economic performance?

Table 11.1 Evaluations of changes in corruption

	Number	*Per cent*
No response	230	16.23
Much lower	54	3.81
Somewhat lower	309	21.81
About the same	582	41.07
Somewhat higher	196	13.83
Much higher	46	3.25
Total	1,417	100

Table 11.2 Evaluations of impact of corruption on business activity

	Number	*Per cent*
Very negative	37	2.61
Moderately negative	370	26.11
No impact	865	61.04
Moderately positive	127	8.96
Very positive	18	1.27
Total	1,417	100

Unfortunately, the two corruption questions presented may suffer from a number of problems. The first question asks for a general subjective assessment of the level of corruption, while the second asks a specific question on how corruption affects the business environment. Broad questions on corruption may not inform us about firm experiences with corruption, while firm-specific questions on experiences with corruption may lead managers to use non-responses and false responses to minimise any legal or political repercussions (Jensen et al. 2010).

Our approach is to utilise a series of questions based on a 'coin-flip' method of randomisation of questions, often called a randomised response technique (RRT), included on the 4th Quarter Bangladesh Business Confidence Survey. We ask a series of ten questions of varying political sensitivity. These range from questions about underpaying taxes and paying bribes to using the office phone for personal use. The method and structure of these questions comes from Azfar and Murrell (2009) and Clausen et al. (2010). We build on this existing method and use this approach to identify the types of firms that are providing 'reticent responses'.

The instructions provided to the survey administrator for our coin-flip strategy are: 'Instructions: Respondents are given a coin. If they flip heads, the respondent should answer "yes". Otherwise the respondent should respond to the questions. The enumerator shouldn't observe the toss.'

We present the exact questions in the Appendix (Question 3). We include politically non-sensitive questions such as if the respondent has ever lied in their own self-interest or used a work phone for a personal call. Other questions are designed to be highly sensitive, such as if the respondent pays less than they should in taxes. Our main question on corruption focuses on a very specific form of corruption relevant for starting and expanding business. Our question is, 'Did your business have to pay a bribe to get permits to start a business?'

This RRT can help mitigate a number of problems with non-response and reticent responses to surveys. First, it allows respondents deniability for any illegal or unethical answers given in the survey. For example, as stated, one question asks if the manager's firm pays less than they should in taxes. Firms responding 'yes' to this question can credibly claim that their 'yes' response was driven by randomisation rather than an admission of guilt. Second, this question is a specific, objective question about corruption. Thus, there is less concern about subjective evaluations or anchoring problems affecting responses. Third, we can explore the pattern of responses to examine if there is underreporting of specific events, or if specific respondents answer in a pattern that is consistent with false responses.

A more formal way to present this is if we have no false responses or underreporting of corruption we can interpret the probabilities as:

$$P[Yes] = q + (1-q) \star (0.5)$$

The probability of a respondent answering 'yes' is a function of the probability of the respondent paying a bribe (q) and the probability of observing heads in the coin flip (0.5). For example, if 60 per cent of respondents have paid a bribe, we should expect to observe 80 per cent of respondents answering 'yes' to our question. If no firms pay bribes we should observe 50 per cent of respondents answering 'yes' to our question.

Let us include a term, p, for respondents that are unwilling to answer 'yes' to the random response questions.

$$P[Yes] = (1-p)q + (1-p)(1-q)(0.5)$$

To use the examples from above, if 60 per cent of respondents have paid a bribe but 10 per cent of the managers are unwilling to answer 'yes' on our survey, 72 per cent of respondents will answer 'yes'. If there is no corruption and 10 per cent are still reluctant to answer 'yes', we should observe 45 per cent of respondents answering 'yes'.

In Figure 11.1 we present data on the percentage of 'yes' responses. For six of the questions, respondents answered higher than 0.5, providing no prima facie evidence of systematic reticent responses.

For four of the questions, responses are less than 0.5, including three politically sensitive questions on taxes, bribing police and our main question on bribing to obtain business permits. For the question on tax evasion, the mean response is 0.3811, indicating that at least 23 per cent of firms are providing reticent responses to this question. For the questions on bribing the police and paying bribes for permits, at least 6 per cent of respondents are providing reticent responses. This is assuming zero tax evasion and bribery (a very bold assumption that contradicts other measures of corruption in Bangladesh). If we assume that at least 50 per cent
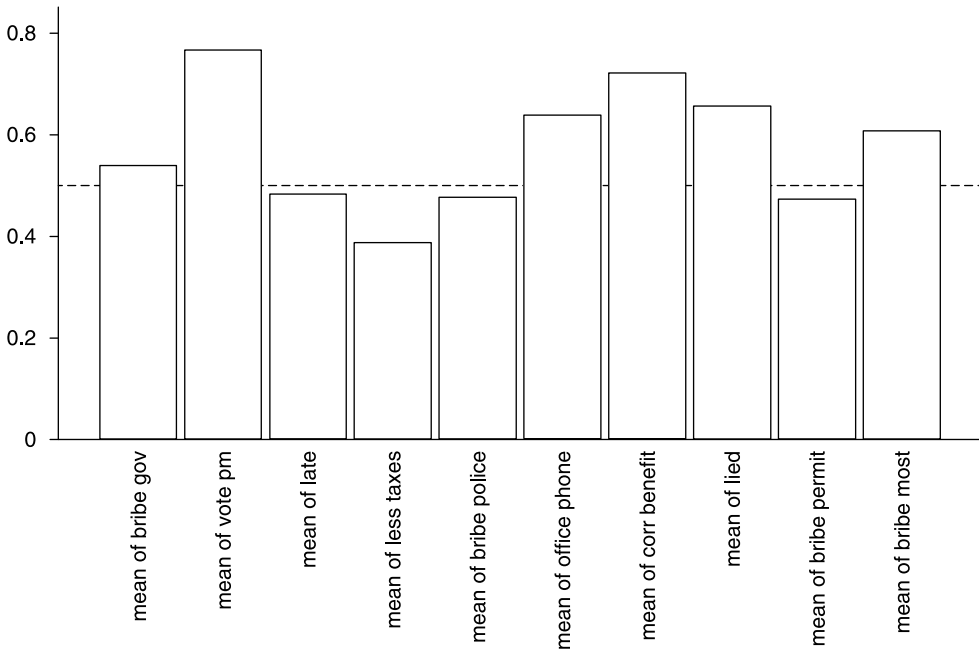
Figure 11.1 Frequency of 'yes' responses.

of firms paid some sort of bribe, as much as 35 per cent of firms are providing reticent responses.

The determinants of non-responses and reticent responses

In the previous section, we show that the data suggests a significant underreporting of politically sensitive acts, including corruption. Unfortunately, this underreporting makes it impossible for us to know the true extent of corruption in Bangladesh or to directly evaluate the impact of corruption on business activities. But these systematic reticent responses to our RRT questions do allow us to evaluate the types of firms that provide potentially reticent responses and how these firms answer direct questions on corruption.

One quick evaluation we can make in our context are what factors constitute the determinants of non-response bias. As noted, firms often fail to answer direct questions on corruption, leading to potential non-response bias. To evaluate this bias we compare our corruption question using an RRT to the direct questions about corruption (Question 1 in the Appendix). The first obvious point is that while 226 firms (16 per cent) failed to answer the direct question about corruption, we had a 0 per cent non-response rate using our coin-flip strategy. This is important as Jensen et al. (2010) show that even relatively low levels of non-response can lead to major biases in empirical analyses.

What types of firms are likely to provide non-responses to direct questions on corruption? We find no systematic difference in perceptions of their future firm performance or whether the firm was located in an urban or rural area. While we did find some differences across regions, this was mostly driven by a very low non-response rate of 3.8 per cent in one of the smaller administrative regions (Barisal).

One strong relationship we find in the data is between the types of firms that failed to answer direction questions on corruption and the firms' answers to the RRT questions on paying bribes. We find that a large number of firms that failed to answer the direct corruption question answered the RRT indicating no incidence of bribery. Our data show that firms that indicated in the randomised response questions that bribes were used to obtain permits had a 6 per cent lower non-response rate (13 per cent) to the direct response questions than firms that indicated bribery wasn't used to obtain permits (19 per cent).[10] Put another way, the managers who answered the direct question on corruption had a much higher rate of 'yes' answers on the question about using bribes to obtain permits (61.7 per cent) relative to firms that failed to respond to the corruption question (50.1 per cent).

This result could fly in the face of the idea that the firms failing to respond to corruption questions are more likely to engage in corruption. These descriptive data suggest that firms that fail to answer direct questions on corruption are less likely to have engaged in bribes. What explains this pattern? One possibility is that the firms that fail to answer direct questions on corruption are also likely to underreport corruption in the RRT. In short, firms providing non-responses to some sets of politically sensitive questions could be the same firms providing reticent responses to other questions. In blunt terms, firms either skip questions or provide false responses.

How do we evaluate reticent responses? One strategy commonly employed in surveys is to instruct enumerators to evaluate the perceived truthfulness of the respondent. In our survey of firms, enumerators were instructed to classify respondents as 'very truthful', 'somewhat truthful', 'somewhat untruthful' or 'very untruthful' at the end of the interview. In our data, of 1,417 respondents, forty-six enumerators classified 1,071 respondents (75.51 per cent) as 'very truthful', 341 (24.06 per cent) as 'somewhat truthful' and six as 'somewhat untruthful'

(0.42 per cent). On the surface, these subjective evaluations provide us the ability to identify potentially untruthful respondents.

Unfortunately, this strategy is subject to measurement error. In our data, we find that the vast majority of cases of 'somewhat truthful' or 'somewhat untruthful' are concentrated in one region, Chittagong. While this region contains an important port city which could lead to higher levels of corruption, we find that across the region and across industries within Chittagong, firms are much more likely to be rated as less than 'very truthful'. This stark regional pattern could lead researchers to infer that the region, or the type of firms in the region, are more prone to false response.

Our survey, like many firm-level surveys, is organised by region. Thus, teams of enumerators, supervised by a single individual, are assigned to survey firms within a single region. Chittagong's team surveyed 264 firms, where each of the six enumerators individually surveyed between thirty-three and fifty-two firms. While the other five teams evaluated 75–100 per cent of firms as 'very truthful', the Chittagong team evaluated only 17.80 per cent as 'very truthful', and 81.06 per cent as 'somewhat truthful', while the remaining 1.14 per cent were 'somewhat untruthful'.

Given the lack of theoretical reasons to suspect such high levels of systematic lying in this one region, we suspect that this subjective perception suffers from serious anchoring problems. The Chittagong team is likely to evaluate firms as 'somewhat truthful' while the other teams are more likely to evaluate firms as 'very truthful'. Thus, the major variation within this data is likely driven by different interpretations of 'truthfulness' or other biases that affect the subjective evaluation of truthfulness.

Considering the difficulty in identifying false responses within the subjective evaluations, how do we evaluate the level of false responses? Using an RRT can identify the questions that are most likely to elicit reticent responses and offer some indirect evidence on the exact firms providing false responses. Imagine a situation where there is no corruption in Bangladesh (no bribes paid to the police or for business permits) and firms always pay the full amount of taxes owed. Our coin-flip strategy would assure that for these three questions the mean answer for each question should be 0.5 (half the respondents flip heads and answer 'yes', the other half answer a truthful 'no'). Thus, for an individual question on bribes, we should expect a mean of at least 50 per cent 'yes' responses.

Evaluating patterns of answers to politically sensitive questions allows us to examine the potential for reticent responses. We identify three politically sensitive questions (bribing police, paying bribes for permits and paying less taxes than legally owed) that are most likely to elicit reticent responses from managers.[11] Only for managers who flip tails three times in a row (predicted as 12.5 per cent of respondents) should we observe answers of 'no' for all three of questions. Again, this is making the very conservative assumption of no bribery and no tax evasion.

A total of 321 firms, or 22.65 per cent of the sample, answered 'no' to all three of these questions. Thus, if there is no bribery and full tax payment, there is still at least 10 per cent of the sample that is providing reticent responses. Interestingly, the subjective evaluations of enumerators do a very poor job in identifying these firms; enumerators evaluated 80.37 per cent of firms in our sample of potential false responses as 'very truthful' relative to 74.09 per cent 'very truthful' in the rest of the sample. Consistent with our explanation earlier, enumerators' subjective evaluations are more likely capturing differences in individual enumerator perceptions than real differences in false responses across firms.

While our strategy doesn't allow us to definitively identify which firms are providing false responses, we can compare the attributes of firms that we identify as 'reticent' (answering 'no'

to all three politically sensitive questions) to other firms in the sample. What do the reticent responses look like relative to other respondents?

Comparing the 321 firms that answered 'no' to all three politically sensitive questions to the rest of the sample, we find a few descriptive aspects of these firms different. Firms coded as providing reticent responses are more likely to be in the service sector. Also, the capital region and largest city (Dhaka) had a higher incidence of reticent responses than the rest of the country (27.29 per cent to 18.90 per cent).

Our sample consists of almost all small, domestically owned firms, where only twenty-three of 1,417 firms are government-owned. Interestingly nineteen of these twenty-three firms did not respond to the direct questions on corruption, and thirteen of twenty-three answered 'no' to all three of our politically sensitive coin-flip questions. While this small sample size makes us sceptical that we can draw any definite conclusions, this pattern is at least suggestive that ownership structure could be one potential driver of non-response and reticent response bias.

Finally, the most dramatic difference we find is related to our earlier points on non-response bias. The firms we identify as giving reticent responses to the RRT questions are actually much more likely to provide non-responses to direct questions on corruption than other firms in the sample (21.18 per cent to 14.78 per cent). This suggests that non-response bias and reticent responses are generated by the same firms. Firms that fail to answer questions about corruption are also the most likely to exhibit patterns of answers consistent with reticent responses. Thus, while our RRT helps provide anonymity for firms answering politically sensitive questions, there is still a subset of firms that most likely systematically underreport corruption either through non-response on questions about corruption or answering questions in the RRT in a manner that is consistent with reticent responses.

We formally examine the determinants of non-response to the corruption question in Table 11.3. In Model 1 we present a probit regression on the determinants of non-response bias using our indicator for reticent responses as the dependent variable. If non-response is random, we should expect no significant relationship between our covariates and non-response rates. Our dependent variable is a dichotomous variable coded as 1 if the manager failed to answer the direct question on corruption. Our probit regression includes dummy variables for the different regions and a dummy variable for manufacturing firms (Manufacturing).

The first three models examine the relationship between responses to questions on the three politically sensitive questions (bribe permits, bribe police, less taxes) and non-response to the direct question on corruption. For all three questions, firms that answered 'yes' to questions on bribery or tax evasion (coded as 1 in our data) were more likely to answer the direct question on corruption (coded as a 0 for the non-response variable). The final variable (reticent response) is a dummy variable for firms that answered 'no' to the three politically sensitive questions.

Our empirical analysis confirms the descriptive patterns highlighted earlier. Firms that we identify as providing potential reticent responses to RRT questions are more likely to fail to respond to the direct question on corruption. This impact is statistically significant and substantially large. Firms that we identify as providing potential false responses by looking at the number of 'no' answers to the randomised response questions are 11.51 per cent more likely to fail to respond to direct questions on corruption.[12] Given that 16.2 per cent of managers failed to respond to direct questions on corruption, this is a sizeable impact.

What are the implications of this research for the understanding of corruption? One important question is how corruption is related to firms' investment decisions. The

Table 11.3 Determinants of non–response

	Model 1	Model 2	Model 3	Model 4
Location: Dhaka	0.968★★★	1.004★★★	0.995★★★	0.975★★★
	(0.270)	(0.269)	(0.272)	(0.270)
Location: Chittagong	0.687★★	0.701★★	0.679★★	0.682★★
	(0.281)	(0.279)	(0.283)	(0.281)
Location: Rajshahi	0.912★★★	0.951★★★	0.952★★★	0.916★★★
	(0.279)	(0.277)	(0.280)	(0.279)
Location: Khulna	0.582★	0.586★	0.583★	0.551★
	(0.305)	(0.303)	(0.304)	(0.305)
Location: Sylhet	0.817★★★	0.841★★★	0.838★★★	0.808★★★
	(0.298)	(0.298)	(0.301)	(0.299)
Location: Barisal	−0.141	−0.145	−0.141	−0.138
	(0.089)	(0.088)	(0.089)	(0.088)
Manufacturing	0.172★	0.173★	0.169★	0.167★
	(0.089)	(0.089)	(0.089)	(0.089)
Bribe for Permits	−0.196★★			
	(0.082)			
Bribe Police		−0.190★★		
		(0.082)		
Less Taxes			−0.186★★	
			(0.084)	
Reticent Response				0.225★★
				(0.098)
Constant	−1.724★★★	−1.752★★★	−1.763★★★	−1.861★★★
	(0.267)	(0.266)	(0.265)	(0.265)
Observations	1,417	1,417	1,417	1,417
R–squared	0.03	0.03	0.03	0.03
Chi–squared	33.53	35.67	33.08	33.55

Notes: Robust standard errors in parentheses ★★★ p<0.01, ★★ p<0.05, ★ p<0.1

relationship between firm investment and levels of corruption is inconclusive using data on the respondent evaluations of the changes in corruption over time and how corruption affects the firm's business.

In Table 11.4 we present a series of probit regressions on the determinants of firm investment. Our dependent variable is an indicator coded as 1 if the firm has invested in fixed capital in the last three months and 0 otherwise. First, we include a vector of control variables for the manager, including a dummy variable if this is the manager's first business (first business) and a count of the number of years of experience the manager has in this line of business (manager experience). For robustness we also included variables on manager education and gender. We also include a number of control variables at the level of the firm, including dummy variables for the size of the business (medium and large firms), the age of the business (firm age), dummy variables for firms located in urban areas (urban) and region dummy variables.

In models 5 and 6 we include the standard measures of corruption, where corruption change is an ordinal variable from 0 to 2: (2) if the manager perceives corruption having increased, (1) if it has stayed the same, or (0) if it has decreased in the last quarter. Corruption

Table 11.4 Determinants of firm investment

	Model 5	Model 6	Model 7	Model 8
Firm age	−0.009★★	−0.008★★	−0.008★★	−0.008★★
	(0.004)	(0.003)	(0.003)	(0.003)
First business	0.00165	0.01	0.0107	0.00897
	(0.079)	(0.073)	(0.073)	(0.073)
Manager experience	−0.00279	0.000783	0.000737	0.000471
	(0.005)	(0.004)	(0.004)	(0.004)
Large firm	0.280★	0.274★	0.283★	0.293★★
	(0.152)	(0.146)	(0.146)	(0.146)
Medium sized firm	0.256★★★	0.240★★★	0.245★★★	0.238★★★
	(0.081)	(0.074)	(0.074)	(0.074)
Urban	0.213★★★	0.200★★★	0.203★★★	0.205★★★
	(0.083)	(0.075)	(0.075)	(0.075)
Corruption change	0.0416			
	(0.054)			
Corruption effect		−0.0155		
		(0.061)		
Non–response			0.0416	
			(0.097)	
Reticent response				0.227★★
				(0.091)
Constant	−0.980★★★	−0.935★★★	−0.956★★★	−0.968★★★
	(0.211)	(0.206)	(0.196)	(0.196)
Location dummies	Yes	Yes	Yes	Yes
Observations	1,155	1,378	1,378	1,378
R–squared	0.08	0.09	0.09	0.09
Chi–squared	132	167.1	167.2	173.2

Note: Robust standard errors in parentheses ★★★ $p<0.01$, ★★ $p<0.05$, ★ $p<0.1$

effect is a 0 to 2 ordinal variable on how corruption has affected the manager's firm, which includes categories for corruption having a positive effect on the firm (2), no effect on the firm (1), or a negative effect on the firm (0). In both models (and alternative specifications), reported corruption has no relationship with firm investment.

As noted, we have a sizeable non-response rate on corruption questions in our survey. In model 3 we include a dummy variable for non-response. We find that firms that do not respond to the direct question on corruption are no more or less likely to have invested in the third quarter. This simple descriptive statistic may suggest that non-response bias has little impact on our understanding of firm investment decisions.

Yet, as we note, a sizeable number of firms failing to respond to these questions are also the same set of firms that answered 'no' to all three of our politically sensitive questions. Using our variable of reticent response from our regressions in Table 11.3, we use this as an independent variable. Our findings suggest that firms that have a high likelihood of providing reticent responses to the corruption question are firms that are more likely to have invested in the third quarter.

Simple descriptive statistics paint the same picture. Of the managers who were coded 0 on our reticent-response variable, 50.7 per cent of their firms had invested in the previous

quarter. This contrasts with the firms that were coded as reticent responses; 58.06 per cent of these firms had invested in the previous quarter. Not only is this 7.36 per cent difference statistically significant at the 0.05 level, it is substantially large.

These results indicate a positive relationship between the level of firm investment and the chance that a firm will provide potentially reticent responses to corruption questions. Unfortunately, there are numerous interpretations of this result since our results do not speak to the causal relationship between corruption and investment. Firms that have invested more in the past may be more exposed to corruption (and thus be more prone to lie about corruption), or they may simply be more concerned with answering politically sensitive questions. Alternatively, the firms that have benefited the most from corruption may also be the firms that are most concerned about providing answers to corruption-related questions.

While we cannot definitely tell which of these theories explains this relationship, at a minimum our results suggest the need for caution in the design of surveys measuring corruption and the interpretation of the relationship between corruption and investment. Firm-level surveys are plagued by both non-response and false response bias that can have a dramatic impact on empirical results and thus the substantive understanding of corruption.

Conclusion

Understanding how corruption affects the business environment has important academic and public-policy implications. Decades of research in political science, economics and international business have probed the causes and consequences of business corruption. These studies not only help us understand how corruption affects business but also allow us to explore broader questions at the intersection of politics and economics. These studies require us to measure business corruption.

Unfortunately, much of what we know about corruption is either through the subjective evaluations of country experts or through the use of firm-level surveys that are plagued by non-response to direct questions on corruption as well as bias. Bias stems from the fact that firms may underreport corruption to avoid criminal sanctions or due to political pressure to hide levels of corruption in a country or region. Using an original firm-level survey of the business environment in Bangladesh, we include a series of traditional questions on corruption along with a set of randomised response questions in order to evaluate these problems.

Our analysis suggests a large under-reporting of corruption in firm-level surveys. One mechanism driving these erroneous results is the systematic pattern of non-response rates by firms. We show evidence that firms providing non-responses are also the types of firms exhibiting patterns of answers consistent with reticent responses. Thus, the same unobservable factors leading firms to avoid answering questions on corruption also cause them to systematically underreport the level of corruption when required to answer questions.

Unfortunately, our chapter shows that RRT clearly is not a panacea for solving problems of biased responses. Even with the anonymity provided with this technique, we observe systematic patterns that suggest at least 10 per cent of the sample is providing reticent responses to survey questions. Yet this technique does allow researchers to evaluate ex post systematic problems with non-response and potential false responses in survey research. Perhaps most importantly, it allows us to examine the types of firms (or managers) that provide reticent responses to politically sensitive questions.

Our chapter also casts light on a common strategy utilised to limit false responses. In many firm-level surveys, enumerators are asked to evaluate the level of truthfulness of the respondent. In this paper we show that enumerators' evaluations have no predictive power in

assessing the truthfulness of respondents. Utilising RRT techniques, while not assuring 'truthful' responses, allows researchers to evaluate patterns of responses and to help identify potentially 'reticent' respondents. Identifying the types of firms that are reticent to answer corruption questions and the types of political environments that lead to a greater likelihood of reticence is an important question in itself. When are firms pressured to potentially provide false responses to corruption surveys? This chapter is a step towards answering this question.

Appendix

1. Corruption question

How has the level of corruption been when interacting with officials from public institutions over the period July to September 2009, when compared to the previous period of April to June 2009:

(a)	Much lower	−2
(b)	Somewhat lower	−1
(c)	About the same	0
(d)	Somewhat higher	1
(e)	Much higher	2
(f)	Not applicable	−7

2. Factors affecting business

To what extent did the following factors affect your business over the period October to December 2009? (There is only one answer in each line. Please circle the appropriate answer. Scale: very negative = −2, moderately negative = −1, no impact = 0, moderately positive = 1, very positive = 2, and not applicable = −7)

	Reason	Scale					
A	Interest rate	−2	−1	0	1	2	−7
B	Exchange rate	−2	−1	0	1	2	−7
C	Banking credit	−2	−1	0	1	2	−7
D	Inflation	−2	−1	0	1	2	−7
E	Tax rate	−2	−1	0	1	2	−7
F	Energy price (electricity, oil, and gas)	−2	−1	0	1	2	−7
G	Transport cost	−2	−1	0	1	2	−7
H	Political situation	−2	−1	0	1	2	−7
I	Policy uncertainty	−2	−1	0	1	2	−7
J	Corruption	−2	−1	0	1	2	−7
K	Extortion	−2	−1	0	1	2	−7
L	Energy supply (electricity, gas, etc.)	−2	−1	0	1	2	−7
M	Shortage of skilled labour	−2	−1	0	1	2	−7
N	Labour relation/unrest	−2	−1	0	1	2	−7
O	Wage rate	−2	−1	0	1	2	−7
P	Shortage of raw materials/inadequate input supply	−2	−1	0	1	2	−7
Q	Possible repercussions of the financial crisis	−2	−1	0	1	2	−7

3. Coin-flip questions

Instructions: Respondents are given a coin. If they flip heads, the respondent should answer 'yes'. Otherwise the respondent should respond to the questions. The enumerator shouldn't observe the toss.

(a) Have you personally paid a bribe to a government official in the past twelve months?
(b) Did you vote for the Prime Minister's party in the last national election?
(c) Have you ever been purposely late for work?
(d) Does your business pay less in business taxes than is required by current tax law?
(e) Have you personally paid a bribe to a police officer in the last twelve months?
(f) Have you ever used the office phone for personal business?
(g) Do you believe that corruption benefits the ruling party in Bangladesh?
(h) Have you ever lied in your own self-interest?
(i) Did your business have to pay a bribe to get permits to start a business?
(j) Do most firms have to pay bribes to get permits to start a business?

Acknowledgements

Notes

1 See also Gerring and Thacker (2005) and Sandholtz and Gray (2005).
2 See Gerring and Thacker (2005: 141) on the complementarity between case study and cross-national research on corruption.
3 See Kaufmann et al. (2006) for a standard measure of corruption that aggregates subjective and objective corruption measures.
4 Some scholars have used indirect measures of corruption, such as Golden and Picci (2005).
5 See Habib and Zurawicki (2002), Knack and Keefer (1995), Lambsdorff (2003), Mauro (1995, 1998) and Wei (2000). Corruption can also affect firm entry strategies (Henisz 2000; Rodríguez et al. 2005; Uhlenbruck et al. 2006) or alter other aspects of their operations (Kwok and Tadesse 2006; Luo 2006).
6 For example, see Berinsky (1999) for work on public opinion and school integration in the United States.
7 BICF provides advisory services aimed at improving the business operating environment in Bangladesh. BICF is managed by IFC (International Finance Corporation), in partnership with the UK Department for International Development and the European Union. BICF administered the first two quarterly surveys jointly with the Bangladesh Enterprise Institute and the subsequent rounds with Org-Quest Research Limited.
8 This sector accounts for 23.82 per cent of the firms in our sample and over 70 per cent of the manufacturing firms.
9 Olken (2009) finds that individual perceptions of corruption, while containing some information, are highly noisy and subject to bias.
10 The exact difference is .0588 with a standard deviation of .0196.
11 This differs from previous work that uses responses on sensitive and non-sensitive questions. We focus on the three highly sensitive questions as a means of directly isolating firms that are reticent to answer politically sensitive questions.
12 This predicted probability was calculated using CLARIFY. See Tomz et al. (2003).

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12

CORRUPTION AND THE PROBLEM OF PERCEPTION*

Jonathan Rose

Several of the most widely used measures of corruption are, at least in part, based upon perceptions of corruption. For example, Transparency International's Corruption Perceptions Index, probably the most widely used measure of corruption, is explicitly a measure of the perceived level of corruption (Andersson and Heywood 2009). Intrinsically, there is nothing wrong with a perception-based evaluation of corruption. Citizens of a country have direct lived experiences of the level of corruption in their own country; country experts have an arguably broader familiarity, although when they are not resident in the country in question this familiarity is perhaps less 'deep'. Moreover, since many cases of corruption will go unreported to the authorities, corruption perceptions can almost inevitably consider more cases than an 'objective' analysis of, say, official corruption reports. However, despite such virtues, there remains a legitimate fear that perceptual measures of corruption are not simply imperfect, as all measures are, but are instead an inadequate record of the level of corruption within a country (for a discussion, see Treisman 2007: 241).

If the objective of a perceptual measure of corruption is to provide evidence about the extent of corruption within a country at a given time point, it is necessary for the underlying perceptions to be reflective of the reality of corruption on the ground. If perceptual measures are instead merely reflections of cynicism, such measures could potentially be actively unhelpful in the fight against corruption. Indeed, if perceived corruption was primarily reflecting cynicism, two countries that have identical rates of corruption (objectively) may end up with significantly different levels of perceived corruption, simply based upon their relative levels of political cynicism or trust. This risks both undermining academic arguments based upon such data, and creating corruption traps. The latter point is particularly serious. Development aid is increasingly becoming contingent upon anti-corruption reforms (Treisman 2007: 242; Andersson and Heywood 2009: 747–8); yet, if perceived corruption is merely a measure of cynicism, such reforms may be futile at altering measured (perceived) 'corruption' even if they do actually reduce corruption. This risks cementing a fictitious reputation for corruption within a country, which in turn would have genuine consequences for citizens' behaviour (see Treisman 2007: 242). Under such circumstances, the adequacy of our measures becomes literally a matter of life and death for some of the most vulnerable people on earth.

The core of this debate is, then, a question of whether perceptions of corruption are capable of being responsive to new information about corruption and the form that the

response takes. Even if perceptions of corruption are responsive to new information, there remains a question of whether the perceptions themselves are solely transient, and thus influenced hugely by local events, or whether the perceptions are more stable, and potentially more reliable. In order to investigate the adequacy of perceptual measures, this chapter investigates the impact upon perceptions of corruption of differential ethical performance of local representatives in a high-profile scandal.

The formation of political perceptions

In an idealised model, we may expect that perceptions of corruption within a country are some function of the knowledge the individual holds about the realities of corruption within that country. Each new piece of information pushes the individual's perceived level of corruption in a country to become either more or less positive, depending upon the nature of the information, in proportion to how important the information is. (For a discussion, see Bartels 1993: 268; Gaines et al. 2007: 958–9.) This model is therefore responsive to the facts of corruption within a country and therefore gives rise to a potentially useful measure of corruption. Of course, even such assumptions do not guarantee that measures derived from perceptions are useful; it may be the case that in some countries it is exceptionally hard to get any information at all about corruption within the country. This would especially be the case in dictatorial regimes, where the potential for corruption may be particularly great. However, given that such regimes are generally rare, and in most cases the corrupt actions of the governors are widely known externally, this is unlikely to pose a significant problem. Unfortunately, even disregarding such potential objections, this 'information-response' model may proceed too fast, and assume too much. Indeed, there is little evidence to suggest that individuals are sufficiently adept at applying and attributing information to allow perceptual models to be assumed to function adequately in the abstract. If new information is interpreted on the individual level through a systematically biased lens, the resulting reported perceptions will themselves be systematically biased. Indeed, as Downs and Larkey (1986: 2–3) note, 'popular conceptions of government performance are not founded on careful analysis but on an amalgam of ideology, anecdotal evidence, and invidious comparison'.

In the simplified model above, new information alters perceptions, but the model does not account for cognitive biases that may undermine a straightforward linking of facts to perceptions. To begin with a trivial point: all facts must be interpreted in some way before they can have any effect upon individuals' perceptions; a fact, absent of any appreciation, is effectively 'inert'. However, the process by which information is interpreted is not unbiased, and, therefore, the resulting perceptions show biases (Gaines et al. 2007; Olken 2009: 958–9). Moreover, these biases are systematic within individuals. So, for example, supporters of a party are notably more positive in their perceptions when 'their' party holds office than when a less-preferred party holds office (Anderson et al. 2005; Blais and Gélineau 2007; Esaiasson 2011; see also Evans and Anderson 2006; Evans and Pickup 2010). Similarly, individuals can – and do – interpret facts in ways that best fit with their partisan leanings (Gaines et al. 2007). However, whilst biases appear systematic within individuals, this does not inherently undermine the utility of perceptual measures. Perceptual measures invariably aggregate a large number of individuals' perceptions to provide a single measure covering a single geographic or political area. Thus, even systematically biased perceptions can give an unbiased estimate – so long as the biases cancel each other out on aggregate. Unfortunately, this appears not to be the case. Indeed, because perceptions are importantly coloured by political affiliations, the ups and downs of political life, and especially electoral competitions, mean that society as a

whole will usually favour one party over another, and thus the aggregate perceptions of society will be systematically biased in some specific way.

Partisanship may be an important factor in biasing perceptions, but it is far from the only one. Indeed, political cynicism in general importantly affects how citizens relate to new negative political information (Dancey 2012). Cynicism will have important random components; some people are simply more cynical and some people are simply less cynical, around a general average within the country or territory. The average effect of such random variations is essentially zero, assuming a normal distribution of cynicism within society. Thus, the random, individual-level component of cynicism is unlikely to be problematic at the aggregate level. However, this does not ensure that cynicism is not a problem for our understanding of corruption. First, because the general average of cynicism will vary systematically between countries, and, as such, comparisons of corruption perceptions between countries are made more difficult. Second, because the general level of cynicism within a country can be subject to systematic variations, caused by sufficiently high-profile events, at least in the short term (see Pharr 2000: 198–9; Chanley et al. 2000; Bowler and Karp 2004).

Moreover, biases are not only conditional upon political positions. In the context of a study of reported corruption surrounding an Indonesian road-building project, Olken (2009: 958–9) demonstrated that younger people, better-educated people and men were all more likely to perceive corruption within identical circumstances. Conversely, having a greater degree of personal connection to the building project, whether through social circles or personal connections, tends to reduce the amount of corruption perceived (Olken 2009: 958–9).

The large uncertainties associated with how 'facts' about the world are transformed into perceptions within individuals, and the associated systematic biases present within and between individuals' perceptions (Weber Abramo 2008), may make perceptions appear an odd choice for a measure of corruption. Perceptions may be crucial to understand because they alone condition how individuals will react, but this does not mean that they provide an adequate measure of the reality of corruption or the success of governments in tackling corruption. Yet we should not dismiss the utility of corruption perceptions based solely upon their imprecision. Indeed, even a highly imperfect measure of corruption that is ultimately based upon lived experiences may still be useful. Simply, it is undesirable to let the (impossible) perfect measure be the enemy of the (existing) useful measure. The purpose of this chapter is not to evaluate specifically which factors affect citizens' perceptions, nor to attempt to gauge their relative importance. Instead, this chapter attempts to understand the more general question of whether perceptual measures can potentially be considered a useful, though imperfect, measure, or whether they cannot.

The case of MPs' expenses: confounded perceptions?

This chapter analyses the impact of the high-profile 'MPs' expenses' scandal in the UK upon reversed public probity perceptions, which provides a measure of citizens' perceptions of corruption.[1] The expenses scandal, beginning in May 2009, related to the use of the Additional Costs Allowance (ACA) by a wide variety of MPs, who were found to have claimed extensively – either appropriately or inappropriately – in a way that the public at large did not find reasonable. The scandal was largely driven by the *Daily Telegraph*, which had obtained the full, unedited list of claims made by MPs for parliamentary allowances. Individual MPs were highlighted on the front page of national and local newspapers for their claims over a period of several months, including now-infamous cases of claims for duck houses and moat cleaning and claims for second homes despite living just a few miles from Parliament (see also Allington

and Peele 2010; Fielding 2010: 102). This 'drip-feed' approach allowed the scandal to remain as essentially the most important story within the UK over several months, a tactic that enhanced the visibility of the scandal and its impact (Kelso 2009: 329). This made 'MPs' expenses' an event of a magnitude not seen for at least a generation in the UK, provoking a particularly vitriolic public reaction even by the standards of contemporary lay political discourse (for a discussion, see Kenny 2009; Kelso 2009; Allington and Peele 2010; see also Fielding 2010; Levy 2010). MPs were publicly heckled, berated and denounced. As Kelso (2009) noted, Parliament appeared to be 'on its knees'.

This event was, in its severity, exceptional. Moreover, unlike many other scandals, 'MPs' expenses' touched a great variety of MPs from across the country. This is both unusual and important, because it gives a personal connection between the person found doing wrong (the MP) and their constituent. As similar events played out in a huge number of constituencies, many citizens had a personal connection to those accused of wrongdoing (the local MP). Thus, especially given the harsh coverage, and the prominent casting of the issue as a corruption scandal, we would reasonably expect perceived corruption to have increased across the board following the scandal. Crucially, however, the differential performance of individual local MPs (ranging from completely 'clean' to 'highly corrupt') gives a measure of variance within individuals' experiences. This variance allows us to probe whether the performance of an individual representative can have an important impact upon perceived corruption, which in turn tells us about how responsive political perceptions are to new information. Moreover, the differential performance of MPs allows us to evaluate how responsive and how nuanced perceptions of corruption are in the face of new information. It should, ideally, be the case that those people whose MPs performed 'best' have perceptions that are more positive, and those with MPs who performed worst have perceptions that are more negative. Indeed, if perceptual measures of corruption are to be useful they should respond in some way to facts about the political world.

Variables and hypotheses

The data used here come from an omnibus survey of 1,963 UK residents conducted at the end of 2010 and beginning of 2011. These data were collected seven months after the previous general election and nineteen months after the beginning of 'MPs' expenses'. Whilst this means a significant amount of time had elapsed between the event under question and the data collection, previous research has found identifiable effects of major scandals over such periods of time. (For an example, see Chang et al.'s 2010 analysis of the 1994 Italian election after a major scandal in 1992.) Moreover, because of the significance of the scandal, and because a large number of MPs remained in Parliament despite having been found to have inappropriately claimed large sums of money, the issue continued to be salient. It would therefore be expected that nineteen months after the beginning of the scandal, and whilst the scandal was still periodically receiving media attention, a notable effect would be visible if perceptions are responsive to facts about the political world.

The dependent variable is a reverse-coded 'public probity' index, which provides a measure of perceived corruption. This variable is an operationalisation of a latent variable, constructed following a Mokken scale analysis that suggested each questionnaire item could plausibly be thought of as a single reflection of an underlying attitude (see Mokken 1971; van Schuur 2003). The items used (with their scalability coefficients in brackets) are:

- confidence that the authorities will punish those caught doing wrong (0.44);
- confidence in the authorities to uncover wrongdoing by those in public life (0.46);

- a rating of how standards of public probity compare to a few years ago (0.44)
- confidence in the authorities to uphold standards of public probity (0.53)
- an overall rating of standards of public probity (0.52).

Scalability coefficients above 0.3 are considered adequate, and coefficients in the range 0.4–0.5 are considered moderate to strong.[2] This variable has a range of 20. Because the dependent variable is reverse coded, higher values indicate that respondents perceive more corruption, whilst lower values indicate greater perceived public probity. The use of a latent variable, which in turn is measured through five observed variables, allows for greater precision in measuring individuals' perceptions; individual-level 'errors' and uncertainties in responses to single questions are averaged out in the final index.

In order to measure the extent to which a respondent's local MP was involved with the expenses scandal, this chapter makes use of reported claims by individual MPs under the ACA and the wrongdoing (regardless of legality) noted in the ACA Review by Sir Thomas Legg (2010). This report covers the period 2004/5–2008/9 and details the spending per MP under the ACA. In addition, this report specified how much each MP had claimed 'inappropriately' (regardless of the legality of the claims), which ought to be repaid.[3] These data are available for all MPs who had been elected before 2009.[4] Because the data come from after the 2010 general election, some respondents have local MPs who were elected in 2010 and thus could not (even in theory) have been included in the review. This is beneficial as it allows for a direct consideration of how responsive perceptions are to changes (i.e. the election of a new MP) and how nuanced perceptions are in their attribution of negative perceptions. However, operationalising the amount each MP repaid as a simple continuous variable is prevented by the existence of 'structural zeros' – i.e. those MPs who claimed nothing because it was impossible for them to have done so. Instead, a typology will be constructed from the available data that allows us to distinguish the following five categories of local MP:

1a. The local MP was not implicated in the event, because they had not claimed anything under the ACA, and was re-elected.
1b. The local MP was not implicated in the event, despite making claims under the ACA, and was re-elected.
2a. The local MP was implicated in the event, though only for a small amount of money, and was re-elected.
2b. The local MP was implicated in the event, for a large amount of money, and was re-elected.
3. The local MP was not implicated in the event, by virtue of being elected after the event.

This typology covers all possible combinations of MPs in Parliament during the survey period. The typology is operationalised as a series of unordered categories; this allows a discussion of the impact of each category, relative to a reference category, without requiring an assumption of ordinality. Respondents are allocated to categories of the typology to reflect the involvement of their MP. This typology distinguishes (with the number of respondents whose MPs are of this type in brackets): those MPs who did not claim anything (90), those who claimed but not inappropriately (483), those who claimed and were asked to repay less than £1,000 (286), those who claimed and were asked to repay more than £1,000 (356), and those MPs who were newly elected in 2010 (676). Of course, the decision to separate those who were asked to repay more than £1,000 and those asked to repay less than £1,000 is somewhat arbitrary. However, it is hoped that such a cut-off provides some indication of the

seriousness of the infraction whilst providing a sufficient number of cases in each category for a robust analysis.

If public perceptions are both responsive to changes in circumstances within a country, and sufficiently nuanced, it is expected that those respondents who live in constituencies of MPs who had not claimed inappropriately would have relatively more positive perceptions and thus think that there was relatively less corruption. Thus, it may be expected that those respondents who live in constituencies where the local MP never claimed under the ACA, was newly elected, or where the local MP claimed but not inappropriately, and thus did not have to repay any money, would be more positive in their perceptions. Indeed, because MPs who did claim, but did so appropriately, have proven themselves capable of adhering to appropriate standards of conduct, it may be the case that their constituents have perceptions that are more positive (thus perceiving less corruption). Respondents living in constituencies in which the local MP claimed inappropriately would be expected to be relatively negative, and this effect would be expected to be most severe for those respondents whose MP claimed more than £1,000 inappropriately.

However, because the distinctions discussed relate voters to MPs, it is important to control for potential unrelated differences in perceptions of corruption. This is especially important given that constituencies are geographical boundaries as well as political. This geographical factor creates some measure of 'clustering'.[5] People who live in the same constituency are (*ceteris paribus*) more similar to each other than people in other constituencies (Pattie and Johnston 2000; Johnston et al. 2007). To this extent, voters within a constituency may not be strictly comparable with voters in other constituencies. Thus, it is important to attempt to control for variables that might indicate pre-existing differences in perceptions of corruption but which could not also have been caused by the main independent variable of interest. Unfortunately, because of an absence of detailed contextual variables, it is impossible to control for urban/rural location differences, respondents' education or housing tenure. Following the control variables used by Johnston et al. (2007) when investigating geographic effects, controls will be introduced for age, sex, class, working status and party support. Age is coded as raw (unbounded) age, and sex is a male/female dichotomy. Class categorises respondents in the usual way: A, B, C1, C2, D and E. Class is treated as an ordered categorical variable. Working status classifies respondents as either: working full-time, working part-time, not working though actively looking for work, not working and not looking for work, retired or in full-time education. Because not all of these categories can be sensibly ordered, these will be treated as nominal categories. Finally, party support is operationalised as three dichotomies probing whether respondents would consider voting for the Conservatives, Labour or the Liberal Democrats at a general election. Respondents could select none, one or more of these parties. This is, thus, a weaker display of support than being a member of a party or naming a single party as the party for which you are most likely to vote. However, this has the advantage of giving a somewhat more detailed picture for those people who are inclined to vote for one party but are not hostile to others.

Results

The results of linear regression analysing the impact of the categories of the hypothesised typology upon perceptions of corruption are presented in Table 12.1. As the typology variable takes the form of a comparison across five unordered categories, the effects of four of the categories are analysed as a mean comparison against a single reference category. For clarity, each of these categories is highlighted in bold, with each category representing a separate

Table 12.1 Impact of local MPs' 'expenses' involvement upon perceptions of corruption

	(1)	(2)
Intercept	14.61 ★★★	13.37 ★★★
	(0.53)	(0.66)
Claim, no repay		1.65 ★★★
(ref. cat: no claim)		(0.45)
Repay < £1,000		1.78 ★★★
(ref. cat: no claim)		(0.48)
Repay > £1,000		1.61 ★★★
(ref. cat: no claim)		(0.47)
Newly elected MP		1.59 ★★★
(ref. cat: no claim)		(0.44)
Sex	0.18	0.15
	(0.19)	(0.19)
Class	0.24 ★★★	0.23 ★★
	(0.07)	(0.07)
Age	0.02 ★	0.01†
	(0.01)	(0.01)
Part-time	−0.43	−0.42
(ref. cat: full–time)	(0.31)	(0.32)
Not working, looking	−0.38	−0.35
(ref. cat: full–time)	(0.42)	(0.43)
Not working, not looking	−0.01	−0.15
(ref. cat: full–time)	(0.34)	(0.35)
Retired	−0.35	−0.20
(ref. cat: full–time)	(0.33)	(0.33)
Full–time education	−1.24 ★★	−1.12 ★
(ref. cat: full–time)	(0.47)	(0.5)
Conservative	−1.25 ★★★	−1.30 ★★★
	(0.22)	(0.23)
Lib Dem	−1.13 ★★★	−1.15 ★★★
	(0.29)	(0.29)
Labour	−0.78 ★★★	−0.68 ★★★
	(0.19)	(0.19)
n	1833	1763
Adjusted R^2	0.05	0.05

Note: Entries show un-standardised coefficients with standard errors in parentheses. Significance codes: † = $p<0.1$, ★ = $p<0.05$, ★★ = $p<0.01$, ★★★ = $p<0.001$.

comparison against the same reference category. This bolding is not repeated for similarly compared control variables.

Model 1 represents the 'base' model, showing only the effect of the controls upon the dependent variable. Model 2 tests the typology discussed above. This shows strong and significant effects for all categories compared to those who claimed nothing under the ACA between 2004/5 and 2008/9. As the dependent variable is a measure of perceptions of corruption, higher values indicate perceptions that are more negative. Here, few differences can be seen between the other categories. Having a newly elected MP has the least negative effect

when compared to having an MP who made no claims. However, substantively, the magnitude of this effect is almost indistinguishable from having an MP who was asked to repay more than £1,000. Indeed, the only substantively and statistically significant distinction is between constituents of MPs who claimed nothing, and all others.

Finally, the gap between the event and the data collection allow for a mass of other, potentially relevant factors to impact upon citizens' perceptions of corruption in a way that cannot be controlled with the data available. In particular, the election itself and the coalition formation that followed may be a source of resentment. This is especially so for those people who supported the Liberal Democrats, who, as the junior partner in the coalition, moved a significant distance from their manifesto in the coalition agreement. However, repeating the analysis excluding Liberal Democrat supporters produces results that are not substantively different, strongly suggesting that this concern is not warranted.

Discussion

The findings shown here clearly indicate that perceptions of corruption can be responsive to new information about the political world. Where political representatives act against standards of propriety, their constituents' perceptions of corruption became more negative. Undoubtedly, this is a positive finding from the point of view of perceptual measures of corruption. Were perceptions of corruption not responsive, they would be an unhelpful way to consider the topic; indeed, such a finding would raise doubts about all perceptual measures of corruption. Of course, this does not ensure that perceptual measures of corruption primarily reflect the true level of corruption within a country. However, because perceptions of corruption are responsive we can rule out the suggestion that corruption perceptions are solely a function of ostensibly unrelated factors, such as the level of democracy, economic development or subjective well-being. This is a reassuring finding in itself, given the often poor correlations between objective conditions and perceived corruption (Weber Abramo 2008) and the extremely strong connections between economic and social factors and perceptions of corruption (Treisman 2007: 227; 229–30).

Not only do the findings here show that perceptions of corruption can be responsive to new information, it also shows that they can be somewhat nuanced. Citizens had perceptions of corruption that were more negative when their MP had wrongly claimed over £1,000 in expenses than when their MP had never claimed under the MPs' expenses scheme. Thus, clearly, not all MPs were viewed in the same way. Unfortunately, there is little other nuance in citizens' perceptions. Indeed, the effect of wrongly claiming over £1,000 was not significantly different to claiming entirely appropriately. The negativity created by the unethical performance of some MPs was generalised to all MPs, save for those who never claimed under the expenses system. Practically, this is problematic, since legislators ought not to have to fear appropriately using the allowances made available to allow them to do their jobs. Yet this is also problematic methodologically, since it suggests that citizens are not especially discerning when attributing blame. Perceptions of corruption may be more affected by major news stories than we would like, and less affected by local experience than we would hope.

The results presented here also suggests that citizens are applying knowledge about the actions of their specific legislator to a question about corruption in public life as a whole. Whilst the questions that formed the corruption measure probed the ethics of public life as a whole, the results presented in Table 12.1 showed the large and statistically significant effect of the local MP having claimed nothing under the ACA. There is thus a very clear 'local' effect. This is not inherently a bad thing. Indeed, MPs are national-level actors who are

important members of public life. Moreover, citizens would plausibly have a greater interest in the only MP they directly elect, and, through local media, may have more and more detailed information about the performance of that specific legislator. Thus, perceptions that are responsive to new information may inherently show such effects where the site of the alleged corruption is dispersed among geo-political constituencies. Nonetheless, this finding serves to blur the distinction between primarily 'local' corruption perceptions and primarily 'national' corruption perceptions – a fact that complicates our interpretations of comparative national-level corruption measures, such as the Corruption Perceptions Index.

Whilst it has been possible here to show that perceptual measures of corruption are not inherently unhelpful, this study has not, and could not, provide a rationale for international comparative indexes of perceptual measures of corruption. Indeed, we still do not know enough about the 'base level' of perceived corruption in any given country. Notwithstanding that corruption perceptions can move in relation to new information, it may be that the vast majority of variance between countries is accounted for by superfluous factors, even if the change within countries can sensibly be attributed to corruption facts.

Ultimately, perceptions of corruption would still be important, regardless of the findings of this study. It is perceptions that are the basis of individual citizens' actions (see Treisman 2007: 242). However, this also places an emphasis upon understanding how these perceptions are created and whether they actually reflect reality. If citizens perceive a country as corrupt, those perceptions themselves may undermine the ability of leaders to raise the required revenues and thus may undermine leaders' ability to effectively govern. Yet this study has shown that such corruption perceptions at least respond to objective conditions, and, whilst not being especially nuanced, can make sensible distinctions between different levels of corruption. This should give us some hope for the general utility of perceptual measures of corruption.

Notes

★ This chapter builds upon Rose (2014: Ch. 6).

1 MPs (Members of Parliament) are the directly elected members of the lower house of parliament in UK politics. A single constituency directly elects each MP. The government of the day is comprised primarily of MPs, all of whom are individually responsible to a single constituency.

2 There were no violations of the double monotonicity model, again suggesting that it is appropriate to consider the five separate items as indicators of a single attitude (see Mokken 1971; van Schuur 2003). The reliability of the scale was 0.78; above 0.7 is considered adequate.

3 Note that the figures used within this report take account of successful appeals against Sir Thomas's judgements, to the extent that they are reported in the ACA review, as amended (2010).

4 In practice, the overwhelming majority of MPs who were elected prior to 2009 were elected at or before the 2005 general election. Thus, for the vast majority of MPs, the period under which all MPs' expenses were evaluated is thus roughly consistent, regardless of how 'new' the MP is to Parliament.

5 Occasionally within the academic literature, this problem is tackled by the use of 'Huber-White' cluster robust regression (see Singh et al. 2011). However, this procedure is unnecessary here, given the small average number of cases in each clustered unit (9.72 cases per constituency), the additional control variables introduced which explain some of the clustering effect (explained below) and the very significant effect found ($p < 0.001$). Indeed, given the degree of clustering, following Kreft and de Leeuw (1998: 10), it is possible that the 'true' p-values may be up to a maximum of twice the size of the p-values reported here. Whilst we can think of reported p-values being half the size they should be as a 'worst case', it is not immediately apparent what the distribution is of likely p-value inflations. For this reason, the p-values presented will be the analytically derived 'uncorrected' p-values. These do represent a 'best case' from the point of view of the Intra-Class Correlation (ICC) inflation; though have the advantage of representing the actual data more accurately. Without further information about the likely degree of p-value inflations, this appears a sensible choice. Moreover,

because of the very-high level of statistical significance reached, neither choice in any way affects the substantive conclusion.

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13

THE ETHNOGRAPHIC STUDY OF CORRUPTION

Methodology and research focuses

Davide Torsello

A World Bank review (2006) notices that anthropological studies dealing with corruption cover no more than 2 per cent of the scientific literature. This thin presence has its own motivations, which are often not evident, particularly from the perspective of other disciplines. If the need for ethnographic research on practices and ideas of corruption cannot nowadays be overlooked (Andvig 2001), there are still only a few anthropologists who have systematically engaged with this phenomenon. For one thing, corruption is a social practice, and, especially considering the recent critiques to the efficacy of large-scale, aggregate analyses that neglect the critical observation of ground-level, qualitative data, it seems unexplainable why anthropology should remain aside. Having said this, there are a number of problems which anthropologists confront in the ethnographic study of corruption. In this chapter I will first outline some of the main methodological and epistemic limits and problems related to the undertaking of ethnographic research on political corruption. Second, I will argue that ethnographic research in different world societies has indeed provided important and original insights that are still rather unexplored or poorly applied by other disciplines and policy-makers. In order to provide a summary (that is far from exhaustive) of some of these insights, I will frame them within a number of common research themes in the anthropological literature.

What refrains anthropologists from studying corruption?

Understanding of the reasons for the weak presence of anthropological knowledge on corruption can start from the ethical concerns that are common to ethnographers in the course of their fieldwork research experience. There are basic ethical concerns that fieldworkers raise when dealing with the study of a particular society, stemming out of issues such as the anonymity of informants, the purpose of the use of first-hand data and the role of the ethnographer as 'intruder' in the social reality he is observing (see Atkinson and Hammersley 1983; Clifford and Marcus 1986). One of the main debates that, in the early 1980s, have accompanied the major anthropological turn from the functional and structuralist paradigms towards hermeneutics and reflexivity has actually been about the proper use and usefulness of fieldwork. Setting against the 'traditional' view of the authority of the field researcher, who could first attribute practices and ideas to the people he has been studying and later analyse

these in meaningful manners, the influence from postmodernist ideas have played a significant role in delegitimising the authority of the ethnographer (Faubion and Marcus 2009). Some anthropologists even came to the rather extreme conclusion that fieldwork is unnecessary to build anthropological knowledge, putting emphasis on, among others, textual and critical analyses, narratives and discourses in lieu of practices and paths of institutional transformation.

Second, although most social scientists agree on the damages of corruption, it is not always clear how the notion can be applied to the empirical study of its outcomes. Anthropologists have been uneasy with Western-centred ideas of corruption, and this is immediately reflected by their reluctance to use the notion or even to engage with it, as it will be shown below. Third, corruption is not simply an endemic phenomenon correlated with weak or non-democratic governance and with economic 'underdevelopment', as much of the modernist literature seemed to point out. Today there is increased awareness, both on the side of scholars and of policy-makers, that corruption may be fostered and generated by global governance, foreign aid, development projects and eventually by global capitalism. In increasingly spatially indefinable political arenas, ethnographic fieldwork is not an easy undertaking. The very nature of fine-grain ethnography develops through the researcher's constant interactions with local people, and the construction of mutual trust with them makes up a significant portion of the true success of fieldwork. The ethnography of translocal places is a much more complex effort, in spite of the several – and also encouraging – attempts in recent times (Melhuus et al. 2010).

In spite of all these problems, I will demonstrate that there has been, in the past fifteen years, a steady increase in ethnographic works on corruption. My aim is to detect a number of comparative themes which are the most recurrent in the anthropology of political corruption and to contextualise them within broader theoretical approaches in the neighbouring social disciplines such as political science, economics and sociology. These themes are: the state, morality, the types of corruption and the relation between practices and public discourses. In order to frame the main threads of the detailed contributions that ethnographic studies have provided to the debate on corruption, I will first sketch out some of the most relevant methodological implications that the ethnographic study of corruption brings about.

Methodological concerns

Concerning the methodological aspect, it has been argued that anthropology has discovered the most visible manifestations of corruption even before other social science disciplines but then has decided to remain silent on their wider effects at political level (Zinn 2001). Anthropology's earlier accounts of gift-exchange processes, reciprocity, redistribution, informal economic transactions, moral economy, clientelism, nepotism, cronyism and social networks are some of the fields in which the discipline was the pioneer rather than the latecomer. All these practices are the lymph of corruption, and not only in non-Western societies. The reluctance to involve systematically with corruption has been explained by a feeling of intellectual responsibility on the misuse of some of the ethnographic findings, which have contributed to increase the ideological gap between a 'modern', 'rational' and 'transparent' West and a 'traditional', 'irrational' and 'corrupt' rest (Pardo 2004; Schneider and Schneider 2005). I think the problem is slightly more complex than this. Anthropology continues to engage actively with all these fields (exception due perhaps with clientelism and nepotism), because they are part of the social realities the ethnographer faces while doing fieldwork. From a methodological viewpoint, these practices are not immediately disclosed, as they are

more or less 'accidentally' discovered. Blundo (2007: 43) pushes this argument further, dividing the instances in which ethnographers analyse corruption in four cases: personal anecdote, biographical trajectory, bureaucratic itinerary and polyphonic case study. The only representative of a systematic study of corruption is the last, which is also the least present in ethnographic studies. This happens because the study of the concrete practices of corruption is not an easy achievement for the fieldworker who is exposed to continuous interaction with local informants during participant observation.

This brings us closer to the ethical aspect. Anthropology, through its deontological codes developed within its two largest professional associations respectively in cultural (American Anthropological Association) and in social anthropology (European Association of Social Anthropologists) has clarified the difficult and delicate ethical conditions under which field-work research needs to be undertaken.[1] One of the most important points of these codes concerns the avoidance of exposing persons who inform the researcher to any form of personal damage, loss or accusation because of the use of fieldwork data. The ethical explanation why anthropology has provided few contributions to the study of corruption is as heavy-weighted as the methodological one. Not only do fieldworkers recognise the harmful effects of disclosing corruption practices through their ethnographic investigations, but eventually they are often forced to tackle corruption from a different angle, focusing for instance on its public discourses, or petty manifestations such as gift, reciprocity practices and clientelism. This avoidance strategy allows the ethnographic approach to build a rich and multifaceted reper-toire of cases, forms of institutional performance and socio-culturally informed views of how governance works, should or should not work. The ways in which these findings are presented, however, often 'disappoints' other social-science disciplines because it does not correspond to any single and systematised model of political action and behaviour, that, for the reasons above, is not an easy and in several cases and envisioned achievement in anthropology.

What follows is a number of research themes in which ethnographic accounts have provided vivid and inspiring contributions to the study of political corruption.

The role of the state

The first comparatively rich research theme in the ethnographic study of corruption concerns the role of the state. There is scarce agreement in the mainstream literature whether the state plays a major or a minor role in relation with the diffusion of corruption in society. Focusing on the impact of corruption on economic development and governance, two main theoretical orientations have attempted to assess state capacities. The first, influenced by neo-liberal economics, argues that positive state capacities are those that maintain market efficiency, restricting state intervention to the provision of public goods. In this view, an excessive state control inhibits development and may foster opaque practices such as clientelism, informality and corruption. This argument has been used, for instance, to explain the widespread pres-ence of corruption in authoritarian regimes, as well as in monopolistic states, in which state capacities have been described as kleptocratic, rent-seeking or predatory. Corruption is conceived as one outcome of the widespread interpenetration of the economic and political spheres, which reduces competition and increase privileges, fosters the creation of powerful elites and cliques operating as, to use a popular term in Italian politics, castes (Sun 2004; Johnston 2005; Varese 2005).

The second approach, which follows some of the standpoints of institutional economy, agrees that good governance is a prerequisite for economic development but shows that the governance capacities required for successful development may be substantially different from

those identified by the first approach (Khan 2006). In other words, a weak state is also a breeding ground for corruption. Here, post-colonial states, and above all several African cases, are paramount: the weakness and fragmentation of the post-colonial states leaves porous interstices to the multiplication of power battlefields and actors in which corruption easily spreads. In these cases, some catchy concepts have been developed such as that of 'neo-patrimonial' state or 'belly-state' (Blundo et al. 2006). In the case of 'developing countries' dominated by weak states and poor efficiency of governance, one may point at the tendency to distinguish between an approach that transcends from governance to focus on aid and development programmes (Sachs et al. 2004) and, oppositely, one that considers aid dependence as functional to unaccountability and corruption (Knack 2000).

Anthropology has traditionally provided sophisticated ethnographies of the state in relation to a number of political and social phenomena and cultural practices (Sharma and Gupta 2006). Following the influence of Foucauldian interests (Shore and Wright 1997; Holmes 2000; Bellier and Wilson 2000), ethnographic accounts of the role of the state in relation to corruption have taken different standpoints. These can be summarised in three perspectives that I call normative, hermeneutical and transactional.

The normative approach analyses the legislative and normative functions and spaces in which corruption becomes implanted in different societal contexts. This approach projects its findings into the principal–agent approach as well as in the public-choice approach, in that it investigates how checks and balances over non-transparent actions can be introduced, interpreted and subverted. Anthropology, building on a strong critique of the Western dichotomy state-society, has developed in this approach a dual perspective of the role of the state: the state is portrayed either as weak enforcing actor (principal) of anti-corruption norms and laws or as legislative agent of ad hoc norms to (more or less deliberately) increase unaccountability. In both perspectives, emphasis is given to the nature of law and of legislative constraints.

In one of the most recent contributions to this approach, Nuijten and Anders (2007) have entitled their edited volume 'The Secret of Law', stressing the idea that the common Western-centric notion of corruption, grounded on the dichotomy between public and private interests, is of little help to anthropological investigations. They depart from the legal anthropological perspective that looks at law as plural and profoundly influenced by social processes (Moore 2000). Corruption and law are not opposites but constitutive one another, just as legal prescription and their transgressions are not mutually exclusive. Because the possibility of transgression is always present in law, corruption is to these authors the very 'secret of law', which defines fields of law's application and intervention but meanwhile allows for its depletion in society. An approach that looks at law as the only cure against corruption, individuating in the state the principal, is misleading because law is plural. Therefore, it is only through empirical sensibility for its pluralism that corruption can be successfully detected through its nuances as alternative form of legal order (see also Znoj 2007; and MacNaughton and Wong 2007, in the same volume).

Pardo (2004) makes a similar point but from a different angle. For him, the political and legal conceptualisation of corruption and of its effects within the state boundaries are marked by inherent ambiguities. Pardo, who conducted fieldwork in southern Italy, recognises that anthropology is confronted with the difficult balance of historical and ethnographic variations and universal aspects. He understands that one of the main limits of the anthropology of corruption has been its cultural particularism and proposes two roads to overcome this impasse. The first is to look at morality (see below) as a conflicting battlefield in which socially constructed ideas of legality and illegality collide with universal claims of legitimacy. The second is to investigate the role of the state, which, in his view, can be both above the

corrupt game and part of it, participating 'through institutional blindness to allow the interests of the elites' (Pardo 2004: 6). The state may even legitimise the ambitions of those corrupt politicians, who, claiming to reattribute morality to political action, eventually make use of law-making to render more opaque the borders of legality and illegality. The state is in this perspective an active participant in the process of setting the agenda for corruption and not a passive agent undergoing its effects. Law creates the sphere of legitimacy through which corruption is accepted or rejected, conceived of and exploited by those in power.[2]

The second perspective, hermeneutical, points at the sphere of governmentality rather than governance, individuating ground-level efforts to interpret political power. Drawing from a rich theoretical background that originates from the works of Clifford Geertz, Victor Turner and, recently, John Comaroff and Jean Comaroff and Michael Herzfeld, in this perspective ethnographic accounts aim to detect the discursive function of corruption in the everyday interplay between people and state institutions. Corruption is one of the ways in which people make sense of politics and of the state, like a conversation, a ritual or for some even like witchcraft.[3] The issue is less whether the state has been able to set the boundaries between legality and illegality, morality and immorality, or whether the state makes use of corruption to obtain public (other than private) legitimacy. Here the main focus is on the discursive practices and strategies that render corruption a semantic of governance for political actors.

This approach is present firstly in Gupta's ethnography of the Indian case, one of the most refined and earliest contributions in the anthropology of corruption. Gupta (1995, 2005) is interested in addressing ways how local citizens in India use corruption as a form of discourse in order to achieve access to particular benefits that are scarcely allocated. The political strategy he describes is that of seeking information on ways to bribe properly, on the amounts of money to be paid and on under which conditions bribes are needed to access services provided by state officers of local governments. Gupta shows that the state is approached by ordinary citizens through personal relations with local officers who are able to make use of clientelistic and personal networks to perpetuate their power. This makes up a type of contradiction in the general Western view of opposing state and society: corruption becomes the space in which the state intertwines with social practices, relations and even moralities, as a devious form of 'civil society'. In this approach, the state may appear as much more disaggregated and decentralised than in the normative perspective. After a more attentive look, however, strategic reference to corruption in public discourses brings the state back into play, as Bailey (1969) and Boissevain (1974) indicated. The role of brokers and informed actors becomes crucial to understand how the management of information can be translated into power and influence (Scott 1972).

This point is stressed by other works on south-eastern Asia, such as in Wade (1982), Kondos (1987), Price (1999) and Ruud (2000, 2001). Sewanta, in an empirical study based on questionnaire survey conducted in Nepal (2009), has demonstrated how corruption is used by local citizens at discursive level to differentiate among the performance and capacities of a number of institutions from the police, to health services, the school and the post. As Gupta, he suggests that this discursive use does not necessarily lead local citizens to avoid engagement with state officials, but it actually works as a frame of reference to establish a parallel flow of communication about best practices.

The third perspective is transactional. Here governance is not analysed in relation to normative or hermeneutic aspects, but as an interaction between different levels of political decision-making. This approach has received comparatively smaller attention from the political science, where the administrative, normative function of the state is at the heart of the

debate. Even in collective action theory, where every actor is perceived as maximising his own interests and these interests can cumulate to foster or hamper corruption, transactional analyses of the tasks, roles and functions of the different levels of governance are a relatively new field.

Ethnographic accounts have, instead, focused more conspicuously on interactional processes in political decision-making, for one thing because ethnography has been able to individuate through participant observation different and alternative forms of political action, such as clientelism and nepotism. A number of authors have proved that corruption exemplifies a failure of the state to encompass local government, or an incomplete bureaucratisation process (Prato 2004; Zerilli 2005; De Vries 2007). Competition between local governments and the state becomes one potential subject of analysis in reference to different socio-cultural contexts, for instance in China (Smart and Hsu 2007), Indonesia (Bubandt 2006), Africa (Bähre 2005), and Latin America (Lomnitz 1995; Goldstein 2003).

In his study about the effects of EU structural transport projects in central eastern Europe, Torsello (2012) has been confronted with the issue whether corruption has been fostered by the attempt of the state to enforce its decision-making processes at local levels, or the opposite, by the attempt of localities to seek autonomy from state intervention. He has found that one fruitful way to analyse the spreading of corruption in relation with EU enlargement politics (see also Shore 2005, Dracklé 2005) is through attention to competition between state and local governments over EU funds. Eastern Europe, after experiencing a profound process of institutional transformation, has entered a similar problematic phase of alignment with EU accession requirements and afterwards structural development policies. Recent findings indicate that the rapidity of these processes and the decentralisation policies have increased fragmentation of power and informality at all levels of political and economic decision-making (Kotkin and Sajó 2002).

Corruption has emerged often in conflicting practices and discourses about state or local power but in different ways compared to the ethnographies of southern Asian countries so far discussed. Because of the nature of the state under post-socialism, the opposition state-society is in eastern Europe a weak theoretical framework. The collusion of state and local government interests and hence the transactional functions that corruption comes to acquire are ways to express the tension between fear of delocalisation of central power and dissatisfaction with strong state authority. This fear is often informed more by the visible growing social inequality at local level than by a shared knowledge of a corrupt state, already present under the socialist regime. In the case studies Torsello examines, the state is not the central focus of public denunciations of corruption, but local governments, which have in the years preceding EU accession implemented wide decentralisation administrative reforms, and are believed to use corruption to remould the state. This is possible, unlike the Indian case and also the Mexican case described by Lomnitz (1995), because of the role of the EU that delegates through its complex body of policy-making, authorities and competences to both state and local governments.

Morality and social values

As in the case of law, morality is not accepted as an homogenous, universal explanation by most anthropologists. This perspective seems to contradict the classical approach of Western political philosophy, which, drawing on Aristotelian traditions, has seen moral integrity at the core of the development of accountable, rational and democratic forms of governance (Rothstein and Eek 2009). Moral claims and related social values are undeniably important

for the study of integrity. James Scott, in his pioneering work, indicated three main variables on which the origin and typologies of corruption are historically based: the nature of political authority, the strength of political institutions and social values (1972: 16). The pressure of each of these variables on the others influence the degree of corruption by weakening or enforcing legitimacy processes.

Anthropologists have often problematised the moral aspect as an underlying single explanation for lack of integrity. On the one hand, the causal relationships that some of the northern American scholarship has through the years drawn between morality and economic development, social trust, social capital and civil society (Banfield 1958; Fukuyama 1995; Putnam 1993, 2000) has provoked hot debates in anthropology, sociology and political science (Silverman 1968; Miller 1974; Muraskin 1974; Tarrow 1996; Meloni 1997). If the ethos, in Banfield's terms, becomes the answer to socio-economic problematic phenomena, such as clientelism and corruption, then there would be little need of ethnographic and empirical works on these issues. These works would be expected to generate data that confirm the origin and resilience of social practices in ethical and cultural assumptions such as familism, individualism, collectivism, Protestant versus Catholic values and so on. However, many ethnographic works have indeed produced empirical data that not only challenge these assumptions but eventually weaken the moral order approach.

The role of the state, the local tradition of social movements, the role of identity building ties, of informal networks and practices of exchange all have different meanings, which, as Yang (2002) underlines for the Chinese case, spring out of different cultural backgrounds at different time points. Thus, ethnographic studies of corruption can suggest two original points on morality: the first is that corrupt practices may not only be deemed as functional, but also as morally acceptable, as well as socially cohesive. The second is that rapid economic and political institutional transformation may generate different, often conflicting moralities that render anti-corruption normative and ideological efforts poor achievements. In both cases, the accent that the ethnographic study of political corruption poses is on social values underpinning morality and their transformation rather than on a static and Western-centric notion of morality and integrity as abstract concepts. This difference, if taken more seriously, could easily explain why several anti-corruption policies have failed far from the societal contexts in which they were born.

Concerning the first point, Visvanhatan (2008) puts the importance of connectivism in a nice manner when he underlines the 'warm nature of corruption' against the 'cold of bureaucratic rationality'. Dracklé (2005) describes the case of Portugal, where corruption is enforced by the conflicting claims and strategies of local agricultural entrepreneurs seeking to gain access to 'discreet bureaucrats'. In the case of El Alto in Bolivia, Lazar observes that in conflicting moralities 'micropolitics of reputation are informed by the struggle in the public sphere between the expectation of corrupt behavior and the attempt to assert a different, more moral kind of politics' (2005: 218).

Steinmüller (2010) investigates the case of China, where he refers the constant dichotomy, used by local scholars and intellectuals, between a modern, rational and a neo-traditionalist truth. The former is often a façade morality, because patterns of personalistic and patronage types of relationships dominate the bureaucratic sector. These, as Yang (1994) and Smart and Hsu (2007) detected, are rooted in Confucian ideals of connectivism, reciprocity and personal ties of obligation. However, public discourses on morality are increasingly informed with Western ideas of rationality that expressively portray 'traditional' customs as forms of 'state-involution'. A similar point is made by Karam (2004) who, in the case of Brazil, describes the ethical struggle to combat corruption rampant in government circles

by condemning politicians of Middle Eastern descent guilty of sharing different sets of moralities.

The second approach deals with the shifting normative and ideological approaches to corruption under conditions of institutional and economic transformation. One common ethnographic finding is that the diffusion of neo-liberal values erodes and transforms the existing moral order to the point of transposing social values. This perspective offers a less static approach to morality than the former and avoids particularistic assumptions.

Rivkin-Fish (2005), in a study of corruption in the Russian health-care system, shows that one of the functions of corrupt practices in post-socialist Russia is, unlike under socialism, not to work side-effectively to fill the gaps of the central planned economy but to provide venues for generating mutual trust. Market economy has brought about what people feared the most: a diminished space for social interaction, and corruption is used to fill this gap. However, the gift and bribe system has been strongly affected by the conspicuous introduction of money in these transactions in recent years. Money is seen as actually endangering the morality of corruption. Olivier de Sardan (1999), on this point, makes use of the notion of 'moral economy' to refer to the African case. To him, the key for understanding the wide-spread diffusion of corruption in the African continent is to look at its 'banalisation and generalisation' in everyday practices and discourses. He sees corruption as a realm of rumour and gossip, where the political and the social become intermingled and semantically determined for the single actors. Thanks to a number of culturally constructed practices (gift-giving, brokerage, solidarity networks, predatory authority and redistributive accumulation) corruption becomes banalised, i.e. commonly accepted practice. In these contexts, according to him, actions that refuse openly and decisively compliance with such practices are amoral, because they provide space for egoism and lack of care for the others.

A similar point is made by Hasty, in his study of anti-corruption officers in Ghana (2005). Hasty had the privilege of being a journalist rather than trained as anthropologist, and this disclosed to him access to a number of documents and personalities which for 'common ethnographers' would have been out of reach. She describes the personal character and actions of a bureaucrat working in an anti-corruption office who strived to maintain an image of integrity in spite of the many forms of 'desire' that determine corruption. Self-discipline and integrity are used as counter-moralities (my term) to these desires: the official Hasty described refused to take food and drink gifts (except for soft drinks) which are an extremely common informal exchange in several African contexts, at the expense of being seen as a bashful, asocial person who lives a retired life and thus morally suspicious in his social environment. This behaviour is in open contradiction with the morality of corruption, in western Africa called 'to chop', or 'eat', where conviviality and participation in large and lavish banquets is seen as an almost natural consequence of the flow of material (money and wealth) and immaterial (power) desires.

On the other hand, Sedlenieks (2004), describing the case of Latvia, suggests that corruption becomes morally determined at a social level when the large use of monetary remittances is involved. Money is here considered as 'fertile' when it brings about long-lasting personal relations; on the other hand, petty corruption would be more easily condemned as 'barren money', which does not bring benefits to the social community. Similar points are raised in Latin American contexts, such as Mexico and Colombia, where the public hope for corruption is that, in its larger manifestations, social or even 'welfare'-like benefits be produced by its political dynamics (Gledhill 2004; Lazar 2005). In all these cases, market values are contrasted against existing social values, and they intertwine with them calling for new and often conflicting interpretations of these values.

Public discourses and 'corruption talk'

Ethnographers investigating corruption and related practices have revealed an important ambivalence in the discursive use of this notion. Widespread public talk about corruption may contribute to strengthening social ties of belonging, sharing and common identity. This is done through everyday-level participation in denounces, open claims about the public damages of corruption. On the other hand, exposition to frequent public denounces of corruption increases cynicism and lowers trust in political institutions, as political science has demonstrated. Whereas the second point can be easily tested through quantitative methods, the first is less easily detectable.

Corruption can become a 'language' or a 'meta-language' in its everyday use and 'corruption talk' provides venues through which citizens communicate anxieties, concerns and ideas of their societal world (Gupta 2005). In this sense, corruption narrates attempts to control threats to social and normative orders (Parry 2000). Similarly, the above-mentioned sociability that ethnographers attribute to petty corruption and informal practices is observed in the case of widespread corruption talk (Gupta 1995; Corbin 2004; Humphrey and Sneath 2004; Znoj 2007). Open talk about corruption is not simply about occasional chats over coffees: it represents the very possibility that corruption becomes a mean of communication and, as such, both in an open and a concealed manner. The very secrecy and conspiracy nature of this practice adds to its communicative power, creating social differences between those unable to access information on dishonest behaviour and those possessing such knowledge (Nuijten and Anders 2007; Turner 2007).

There can be other cases in which the discursive power of corruption is part of deliberate political strategies. One such case is the link that discourses on corruption establish between civil society and political decision-making. Jane and Peter Schneider (2005), in their study of anti-mafia movements in Palermo, describe a case in which criminal activities and extortion are used as powerful cognitive schemas in which to frame the difficult consolidation of civic organisations. Discourses on criminal activities and corruption are rendered public and hence achieve political significance in a region, such as Sicily, where *omertà* (conspiracy of silence) has long been a dominant value. Similarly, in the cases presented by Torsello (2012), environmental movements respond deliberately to a lack of civic involvement by shifting their rhetoric and topics of communication from the environment to corruption scandals.

One should not overemphasise the discursive power of corruption, especially when this is so widespread to become characterised as 'corruption talk'. On the one hand, the presence of the ethnographer, quite often of foreign nationality, may stimulate the verbal performance of informants, hence overt, often highly emotional, denounces about corruption should be taken with a critical standpoint. On the other hand, the conspicuous media treatment of corruption scandals allegations, which has become a worldwide phenomenon, it is a difficult and problematic phenomenon for the ethnographers, because it raises issues of authenticity and difficulty of unravelling hidden political agencies. Nonetheless, studying the public discursive use of corruption can produce original insights into the forms and outcomes of corruption, as well as ways in which knowledge is produced and transmitted in society.

Conclusions

Ethnographic contributions to the study of corruption are still exiguous in number and scattered over regional contributions. The reasons for these 'shortcomings' depend on the methodological and ethical standpoints on which anthropological fieldwork is based, as well

as on the reluctance of anthropologists to deal statically with paradigms developed in the Western world. I have demonstrated, through the presentation of a number of ethnographic works on corruption, that anthropology is actually able to provide some concrete and innovative answer to the study of this phenomenon, in its socio-political and even cultural manifestations. The arising of a number of themes, from the role of the state to the discursive power of corruption, to which ethnographic accounts have produced original contribution is itself the proof that social-science disciplines need to engage more seriously in interdisciplinary dialogue. Corruption may well be defined as the evil of present times, but this claim should not be taken too seriously when recognising that most of the actions, ideas and rhetoric on which corruption is substantiated at the level of everyday political and social practices are much older. One possible way to avoid reducing corruption to a black-box definition in the coming future is to study and analyse those practices and values that accompany the spread of corruption in the countries where they originate, avoiding forcing on them incompatible and alien theoretical models.

Notes

1 See, for instance, www.aaanet.org/committees/ethics/ethcode.htm for the American Anthropological Association.
2 See also Hsu and Smart (2007) for the Chinese case; Corbin (2004) for Spain; Dalakoglou (2010) for Albania; Goldstein (2003) for Bolivia; Levine (2004) for Korea; Hoag (2010) for South Africa; Blundo (2006) for Senegal; Scott (2010) for Taiwan.
3 The comparison of corruption with witchcraft has been raised by a number of anthropologists (Bähre 2005; Bubandt 2006; Blundo 2007; Turner 2007; Rudnyckyj 2009). There are two ideas underlining this use: the first is that corruption, like witchcraft, can be used as a way to re-establish a moral and symbolic order, particularly in conditions of profound institutional transformation, such as in post- or neo-colonial economies. The second refers to the secrecy of corruption practices which, like sorcery, help those who resort to them to seek access to power and hence to demystify the secrets through which state power functions.

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PART IV

Consequences

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14

THE CONSEQUENCES OF CORRUPTION

Eric M. Uslaner

Corruption makes the rich richer and the poor poorer. Corrupt governments have less money to spend on basic services. Politicians line their own pockets with money from the Treasury, leaving less money for schools, hospitals and roads. When governments cannot provide basic services, people lose faith in their leaders – and are less willing to entrust them with their tax money – leaving even less money for basic services. For the rich, there are always alternative markets. The poor may be forced to make small payments to public officials and to get basic services, but often they cannot afford even meagre sums and must do without. The poor get even poorer. Corruption is part of what I have called (Uslaner 2008) an 'inequality trap':

inequality → low trust → corruption → more inequality

Inequality breeds corruption by: (1) leading ordinary citizens to see the system as stacked against them; (2) creating a sense of dependency of ordinary citizens and a sense of pessimism for the future, which in turn undermines the moral dictates of treating your neighbours honestly; and (3) distorting the key institutions of fairness in society, the courts, which ordinary citizens see as their protectors against evil-doers (Glaeser et al. 2003; You and Khagram 2005).

The empirical support (using aggregate data) for a direct link from inequality to corruption is weaker than the theoretical linkage (Uslaner 2008: 46–8). Instead, high inequality leads to lower levels of generalised (out-group) trust, which in turn leads to higher levels of corruption (Uslaner 2008: 48–53, 63–74, esp. 71). When people trust each other, they feel a common bond – a linked fate – and this leads to a lower likelihood that people will find corruption acceptable. Corruption makes people feel that the bonds linking people of different backgrounds and levels of wealth are weak, and they are less likely to believe that 'most people can be trusted'. The evidence linking corruption to more inequality is strong (Uslaner 2008: 54–7, 74, 111). This is my focus in this chapter.

I do not focus on how inequality leads to less trust and greater corruption here (but see Uslaner 2008: Chapter 2). My concern is with the consequences of corruption for inequality. I argue and summarise evidence showing that corruption leads to a wide range of social ills that take a greater toll on poor people and enrich the well off. In corrupt societies:

- Bribery is more common and the poor often have to pay a large share of their incomes for basic services, while the rich live in neighbourhoods with better service delivery.
- The poor often do not have regular income if they are in the informal economy – and also few protections of the law.
- The law itself may not afford much protection. The justice system and the police are among the most corrupt officials. Corruption is also linked to higher rates of economic (but not violent) crime – and the victims are more likely to be the poor. Scams and tainted products are more likely to be aimed at poor consumers since the well-off can afford to buy legitimate goods. Those who sell such fake products get rich and can use their wealth to bribe the police and judges to ensure that they escape prosecution.
- Corruption leads to less foreign investment in business, which leads to fewer jobs for average people and less competition overall.
- Corruption leads to fewer resources for the government, and that means less money to spend on social services for the poor.
- Corruption is not just a plague on our moral sense. It is a plague on the poor.

Grand and petty corruption

We typically distinguish between grand and petty corruption: grand corruption involves big money, often giving kickbacks to political leaders who award lucrative government contracts to their friends, or even bribes. Petty corruption involves small amounts of money: fixing parking tickets (or paying directly to the police officer), rewarding the doctor for letting you jump ahead of other patients, getting favourable treatment from bureaucrats – for small 'favours' or by personal connections (Heidenheimer 2002: 150–2).

People come to terms with petty corruption. These 'gift payments' are part of day-to-day life in many parts of the world, and they overcome bureaucratic delays and trips to the courts (Huntington 2002). Ordinary people are not so blasé about grand corruption, where politicians and businesspeople make big money through illicit deals.

Grand corruption and petty corruption go together. Where you find lots of people bothered by grand corruption (in the 2005 Global Corruption Barometer), you also see much concern for petty malfeasance ($r2 = .917$, N = 61), but where people are less bothered by grand corruption, they are far less likely to see petty corruption. Countries ranked as less corrupt (according to the Transparency International (TI) Corruption Perceptions Index) are more likely to have people seeing only grand corruption ($r2 = .424$). Only grand corruption makes people less trusting, either in other people or in government. This pattern holds in such different contexts as Romania and Africa (Uslaner 2008: 133–40, 193). The effects of grand and petty corruption differ because grand corruption increases inequality while petty corruption doesn't.

The corruption–inequality nexus

How does corruption promote inequality? First, people in countries with high levels of corruption see a clear linkage between malfeasance by leaders and inequality – and they have good reason to do so. Even as there is no clear statistical linkage between inequality and grand corruption at the aggregate level, ordinary people – in Eastern Europe and Africa – do see a clear connection between the two in surveys (Uslaner 2008: Chapters 5, 6, 7). We see the same dynamic in such diverse places as Tunisia, Greece, India and China. A 2008 cable from the American Embassy in Tunis to the State Department stated, 'Although the petty

corruption rankles, it is the excesses of President [Zine el-Abidine] Ben Ali's family that inspire outrage among Tunisians' (Shane 2011).

Greeks, in the midst of a threatened financial collapse in 2010, learnt that a third of the doctors in a fashionable Athens neighbourhood claimed incomes so low that they were exempt from all taxes (Daley 2010: A13). Indians are outraged by illegal mining, lodging 20,000 complaints, yet the mine operators' political and economic clout makes them 'uncrowned kings in their district' (Yardley 2010). China's former state auditor said that the corrupt business dealings of Communist Party officials were the main source of public dissatisfaction (Anderlini 2010).

Second, high levels of corruption lead to less money for public services – and to the misallocation of the public funds that aren't stolen. Corrupt governments invest more in big buildings and the military, where contracts can be awarded to those paying the highest price, and less on social services, where there are fewer opportunities to bribe (Gupta et al. 2002: 461–2; Gupta et al. 2002: 325; Rose-Ackerman 2004: 6). Education spending, the social policy that may have the greatest potential to reduce inequalities (Rothstein and Uslaner 2005), will be dramatically lower in highly corrupt countries (Mauro 1998: 12), resulting in high levels of educational inequality (Uslaner 2008: Chapter 3). Transfer payments, social insurance and health spending will also be lower where corruption is high (Mauro 2002: 349) – all reinforcing inequality. Where corruption is rampant, the poor will likely have to make extra 'gift' payments to receive routine services, thus imposing extra costs on people who are least able to afford them (Gupta, Davoodi and Tiongson 2002: 255). Poor people in Zambia pay 17 per cent of their incomes for medical care (mostly in bribes), while the middle class pays just 3 per cent. Lower-caste Indians have turned to private schools to escape the neglect and verbal and physical abuse from teachers and other students in the public school system. Schools for lower-caste students are often without running water, electricity, books, desks and chairs (Wax 2008).

In India, new parents must pay $12 to see their newborn boys and $7 to see a just-born girl, while the poor earn just $1 a day; 90 per cent of families with newborns report paying such duties (Dugger 2005). More than 60 per cent of Indians report offering bribes to get a job done. Economist Arun Kumar argues,

> Anything to do with the police, anything to do with the judiciary, the poor people have to pay bribes for getting their rights so that poverty becomes more entrenched. Illegal dealings beginning from the top may seep down to those in the bottom rungs, but then it affects them much more than it would affect the top.
>
> *(Marketplace 2005)*

Applicants for drivers' licences were promised a large financial bonus if they received their permits quickly in an experiment by Bertran et al. (2006). They were likely to bribe bureaucrats – and were considerably more successful than people who were not promised a financial reward. A control group that took driving lessons were less likely to obtain licences than members of the experimental group, who offered bribes to bureaucrats.

Many low-income people cannot afford even these small bribes, so they go without government services (Kaufmann et al. 2005). Some in India die of malaria and diarrhoea because they either can't or won't pay bribes to be admitted to hospitals (Marketplace 2005). Poor Romanians are twice as likely not to seek medical attention (Anderson et al. 2001: 15). A mother whose son was born blind and brain-damaged because of negligent care said, 'Doctors are so used to getting bribes in Romania that you now have to pay more in order to

even get their attention' (New York Times 2009). Bribes at hospitals can account for as much as three-quarters of a Romanian's monthly salary (Bilefsky 2009a).

Higher levels of corruption lead to less access to public services such as water, electricity, gas and telephones and higher levels of service interruptions in transition countries. Increasing inequality leads to poor service delivery (and corruption in transition countries is also shaped by growing inequality) and leads to more inequality in turn (Uslaner 2011).

Corruption is associated with poor performance across eighteen measures of policy and public satisfaction of outcomes (Uslaner 2008: 74–9). Corruption matters more than effective government on fourteen measures, one is essentially a tie, and three have stronger effects for the quality of government (opening markets to small and medium-size firms, good labour–management relations and public satisfaction with the state of the environment). High levels of corruption lead to lower rankings on the World Economic Forum's (WEF) Growth Competitive Index for 2003, perceptions by businesspeople that businesses are not ethical and are not involved in charitable causes. Corruption reduces overall spending on education and educational equality, fewer pupils enrolled in secondary schools, less spending on public health and transfer payments, lower government consumption, more enterprises remaining in state hands, a higher risk of expropriations and a lower rank on the United Nations Human Development Index.

Corrupt societies fare poorly on social welfare and have policies that reinforce and exacerbate inequalities. In countries with high levels of corruption, the poor are forced into the informal economy where they have no guarantees of minimum wages, safe working conditions, security of employment or legal protection against employer abuse. Where you find corruption, you also find the informal economy (the correlations are r = −.695, N = 80, with the World Bank measure of the informal economy with the 2005 TI Corruptions Perceptions Index and −.837 with perceived estimates by a World Economic Forum survey of entrepreneurs of the size of the informal economy, N = 84; the TI index gives highest scores to the least corrupt countries). These measures of the informal economy are also moderately correlated with economic inequality (r = .500 and .508, respectively) for the WIDER (United Nations University) Gini index for 2000.

A large informal sector means that there is less money to be taxed. The state has no way to track the income of poor workers, and their work status may not be legal in the first place. For the rich, the informal sector is all about withholding money from the state.

The rise of the market economy in the transition countries of central and eastern Europe and the former Soviet Union supposedly heralded an era of greater economic accountability and secure property rights. The size of the informal economy grew after the fall of Communism, more than doubling across these countries. Inequality and overall corruption also rose appreciably (Uslaner 2008: 105). Not only are the size of the informal sector and inequality linked but the change in the size of the informal economy was as important as the level of democracy in shaping the change in inequality levels in the transition countries (Uslaner 2008: 110–11).

Corruption and the (Mis)rule of Law

The informal sector is not the only aspect of law that stems from corruption and promotes inequality. The rule of law is weak in corrupt regimes, from the top to the bottom of the population and from the top to the bottom of the legal system. This is bad news for combatting inequality. Lady Justice has been depicted wearing a blindfold for five centuries. We have higher expectations of fair treatment from the legal system than from the political system more generally (Rothstein 2000).

In corrupt regimes, the legal system is often the heart of the problem rather than a solution. The rich can offer bribes, and they are not likely to be charged with malfeasance or arrested. If arrested, they won't be convicted. If convicted, they won't go to jail. And if they go to jail, they won't stay there long.

Della Porta and Vannucci (1999: 142) argue that the Italian judiciary in the 1980s and 1990s protected corrupt officials – and took part in bribery. In October 2000, the director of a civil court in southern Italy was convicted of corruption after he received 88 pounds of fish for helping to expedite the case of a plaintiff. A higher court overruled the verdict. The director could only be convicted of pretending to influence higher authorities if he couldn't deliver. Even direct evidence of pay-offs (what *New York Times* reporter Alessandra Stanley called 'squid pro quo' [2001]) was insufficient to convict.

Raccomandazione, the Italian practice of soliciting favours from people in high places, 'is by now so deeply rooted in our culture that most people believe it is an indispensable tool when seeking even that to which they are entitled', a court wrote in 1992, as it overturned yet another conviction for influence peddling (Stanley 2001). Former Italian Prime Minister Giulio Andreotti was acquitted in 1999 of a charge he tried to influence the Mafia; a judge in Palermo postponed a new trial, arguing that the court had more important business.

Tanzi (1998: 574) writes, 'In the real world, relatively few people are punished for acts of corruption.' While crime spiralled in Russia after the fall of Communism, conviction rates plummeted (Varese 1997). Ninety per cent of Russian businesspeople held that vague laws gave government officials leeway in interpreting regulations, thus leading to demands for bribes (Popov 2006). The biggest problem facing business in relatively clean Slovakia is poor law enforcement, according to a recent survey of the country's economic elite (Gyarfasova 2002: 14).

Russian entrepreneur Mikhail Khodorkovsky was arrested and charged with tax evasion in 2003. Khodorkovsky was targeted – and jailed between May 2005 and December 2013 – because he challenged the political supremacy of Russian President Vladimir Putin. Corrupt regimes may present a good face of fighting corruption while targeting opponents of the dominant regime (Coulloudon 2002: 187–8). Myers (2006: C5) wrote: 'Russia is a place that perfected the show trial for those who fall out of political favor', and 'it is always the case some people are found [guilty] at the lower or intermediate level, while no one at the top is'. In China, 'prominent corruption cases are often the outgrowth of power struggles within the Communist Party, with competing factions using the "war on corruption" as a tool to eliminate or weaken rivals and their corporate supporters' (Barboza 2009: B1).

Anti-corruption activists in countries with little malfeasance are considered good citizens. Across Hong Kong, which ranks thirteenth of 178 countries on the 2010 TI Corruptions Perceptions Index, one encounters posters urging people to call the anti-corruption commission if they see anything suspicious. Activisim in countries with high levels of corruption such as Russia (Osborn 2009) and China (Fairclough 2008) can lead to harassment by the state – and even to being murdered. Justice in Russia 'remains arbitrary, selective, and, as before [the fall of Communism], subject to political influence' (Myers 2004). An unfair legal system is one of the major factors leading to high levels of corruption (Uslaner 2008: 63–73). Corrupt regimes are marked by the weak rule of law from organised crime to the man and woman on the street. The Mafia is particularly powerful where corruption is rampant (Varese 2001). Organised crime, 'often in collusion with local authorities', engages in gambling, prostitution, drug trafficking, racketeering, fraud, counterfeiting and violence and murder. Gangs have been very active in China, with almost 900,000 suspects arrested from 2006 to 2009 (Canaves 2009). The arrests fit the same pattern as punishing Khodorkovsky in Russia: local authorities are rivals for power with the central government in China, and taming criminal

gangs is one tool to keep city governments under control. Breaking up the close ties between local officials and organised crime both boosts the authority of Beijing and presents to the outside world the perception of a strong anti-corruption campaign.

In other cases, organised crime effectively controls business in a region because the state is too weak to intervene. The syndicate La Familia Michoacana effectively runs the Mexican state of Michoacan (some 85 per cent of businesses are involved with the gang) because it is more effective in enforcing order through violence than are the military or the police (Finnegan 2010: 39). Armed gangs also live with impunity in Rio de Janeiro (Anderson 2010), while prostitution rings flourish in Albania with victims afraid to testify against the traffickers (Bilefsky 2009b). Vigilantes create disorder through street violence and kidnappings so ordinary citizens have taken to carrying assault weapons on the street to defend themselves against street gangs in Pakistan. The demand for weapons has become so high that prices have spiralled, creating a black market for smugglers – and enriching the gangs further (Wonacott 2009).

In some extreme cases, such as Nigeria (Smith 2006), even routine petty corruption is marked by violence. Demands for payment for routine services are not made subtly. Police who stop drivers to extort fines for 'speeding' may begin with violent threats, followed by attacks on those who don't agree to the 'fines' for their transgressions.

Whether the police are simply unable to stop gang violence or complicit in the extortion, the attacks, both real and threatened, lead to a loss of confidence in the legal system. The cop on the beat and the judges are both seen as part of the corrupt regime. More critically, they become the least trusted governmental institution even as they ought to be the most trusted and most fair branch. Ordinary Russians believe that the police are the public institution least likely to give them fair treatment. Almost half of crime victims won't turn to the police for help – and ordinary Russians are more afraid of the police than they are of the Mafia (Varese 2001: 39–41). When people don't trust the police or the courts, Mafioso or other gangs can fill the void by 'enforcing order' (Finnegan 2010: 43).

In data from the Afrobarometer, police are considered to be the most corrupt public officials, with judges in third place behind customs officials (Bratton et al. 2005: 233). Across the nineteen countries in the 2004 Afrobarometer, the police and border police were seen as the most corrupt institutions. They are among the least trusted institutions: in Nigeria, 72 per cent of respondents saw the police as all or mostly corrupt, and 90 per cent had no confidence in them.

When gangs and the police subvert the law, the result is far more than a simple loss of confidence in a governmental institution. People respect and obey the law, Tyler (1990: Chapters 4, 5) argues, because they believe that the justice system is fair and that they have been treated fairly. In corrupt regimes, the legal system exacerbates inequality rather than reducing it. The Mafia doesn't represent (or care about) the interests of the poor. The rich can pay the ransom demanded by kidnappers. The poor can't.

In a 1992 survey in Sierra Leone, 80 per cent of the respondents believed that 'there are two interpretations of the law in Sierra Leone – one for the rich and one for the poor' (Kpundeh 1998: 129). The partiality of the justice system makes ordinary people especially upset because the police are often very highly paid, so extortion by officers is not simply a matter of supplementing meagre salaries with small bribes (Fombad 2000: 245).

When people have no confidence in the legal system in corrupt regimes, they become less likely to obey the law. When people see leaders stealing from the public purse (and getting away with it), they are more likely to engage in criminal activity themselves. Corruption doesn't breed crime generally. It fosters economic crime – and especially pickpocketing, which is the crime of those with fewer resources. Using data from the International Crime

Victimisation Survey (ICVS) aggregated to the country level, I show that of a range of measures of crimes in the ICVS, pickpocketing has the strongest relationship to the 2005 Corruption Perceptions Index (r2 = .659, N = 48) (Uslaner 2008: 81–4). Where corruption is high, so is pickpocketing.

Corruption is also linked to a variety of other economic crimes, though not as strongly as to pickpocketing. It leads to high levels of damage to cars (r2 = .540, N = 48), greater fraud (r2 = .474, N = 46), personal theft (r2 = .343, N = 48), reporting of personal theft to the police (r2 = .581, N = 48). However, corruption is not associated with either the frequency of assault (r2 = .000, N = 48), the current level of sexual assaults (r2 = .000, N = 48) or the frequency of sexual assaults over the past five years (r2 = .094, N = 48). Corruption is linked to economic crime, not to violent crime. There is no evidence supporting a general syndrome of criminality that is connected to corruption.

Pickpocketing is less frequent when people see the legal system and especially the police as fair, though, as I shall show shortly, not when people fear the consequences of illegal behaviour. Higher levels of pickpocketing leads to lower evaluations of police performance (also from the ICVS, r2 = .653, N = 48). It is not simple police presence that matters; the relationship of pickpocketing with the average number of police per capita is weak (r2 = .050, N = 40). Rather, it is fairness that matters. There are strong relationships between pickpocketing and multiple measures of fairness (Uslaner 2008: 82).

The causal link seems to be from corruption to pickpocketing – and not the other way around. Corrupt leaders don't steal from the public purse because someone picked their pocket (Uslaner 2008: 84). So we can see pickpocketing and other economic crimes either as the revenge of those with fewer resources against those who exploit them. A more likely explanation posits pickpocketing as stemming from anomie. Corruption leads to the loss of trust in other people and political institutions (see below). Low trust in others in turn leads to higher crime rates (Uslaner 2002: 210).

Corruption, growth and business

The poor are unlikely to become better off in a stagnant economy. And corruption is a bane on economic growth. While there is mixed evidence on a direct link between corruption and growth, two meta-analyses that estimate the findings of many studies in an overall model find considerable support for the claim that corruption reduces economic growth (Campos et al. 2010; Ugur and Dasgupta 2011). There is less agreement as to whether economic growth in turn promotes greater equality. It is clear that corruption robs the government of funds to provide basic services, and, without growth, the potential for providing more resources to the poor will be lower.

The weak legal systems in corrupt regimes lead to greater opportunities for fraud as well as to a less competitive business climate. The rush for quick profits and the realistic expectation that you can get away with anything creates a hostile environment for legitimate businesses. All sorts of commodities are counterfeited – the ubiquitous pirated software, music and videos are the best known. So are fashions and accessories, often sold online. The quality of such fake goods has become much better, difficult for all but the most trained eyes to spot what is real and what is not – so consumers may not realise that the $1,500 handbag they bought for $100 online or on the street is really a fake. The US Chamber of Commerce estimates that counterfeit goods now constitute a $600 billion worldwide market (Holmes 2011).

Other counterfeit products do more harm than simply robbing their producers of profits and copyrights. Most of the olive oil in the world is bogus – often Turkish hazelnut oil or

Argentinian sunflower-seed oil. Trained tasters can tell the difference, but the volume of olive oil transported is so high that tasting is at best hit or miss – and is rarely done anyhow. Nor do authorities in Italy and Greece, where most olive oil on the international markets originates, do much to stop the import of 'fake' olive oil to these countries, where it is repackaged and exported as the real thing (Mueller 2007).

Domestic Chinese firms manufactured tainted infant formula in 2008, with 53,000 babies getting sick and four dying. Aggrieved parents tried to sue for compensation, but their cases were dismissed. In 2006, China passed a law restricting class action suits by ten or more plaintiffs. As the courts refused to hear these cases, it became known that government officials knew of the tainted milk weeks before it recalled the formula (Areddy 2010; Wong 2008). In 2011, another food scandal gripped China: many of the steamed buns sold on the street were stale and 'recycled' after being boiled anew, repackaged and sold as fresh. The latest scandal came on the heels of other incidents of adulterated pork (soaked in toxic chemicals), contaminated rice, soy sauce mixed with arsenic, popcorn and mushrooms that had been bleached, bean sprouts mixed with an antibiotic, wine blended with chemicals and sugared waters, and eggs that were actually man-made mixtures of gelatin, paraffin and some chemicals. 'Manufacturers calculate correctly that the odds of profiting from unsafe products far exceed the odds of getting caught . . . like Alice after falling down through the rabbit hole, consumers must guess what their food and drink contain' (LaFraniere 2011).

Bribes are part of normal business practices in corrupt regimes. The Swedish furniture chain IKEA opened its first store in Moscow in 2000. The managers were told that they would have to pay bribes to get the electricity connected, so they decided to buy their own generators in this and other stores they operated. Their success in evading corruption proved illusory: the manager of the generators was inflating the cost of the service and pocketing money from the company that rented the generators to IKEA (Kramer 2009). In Afghanistan, everything has its price. And 'everything' includes basic services, settling lawsuits, getting out of jail, public offices and even simply getting into an airport. The upscale neighbourhood of Sherpur in Kabul is nicknamed 'Charpur', or 'City of Loot' (Filkins 2009).

Corruption is also powerfully related to weak property rights. The correlation of corruption perceptions and the Heritage Foundation measure of property rights for 2008 is .918. Corrupt regimes are likely to have weak property rights and to expropriate property than are 'honest' governments (r = .758, N = 64, using the index of expropriations from Glaeser et al. 2004).

Weak property rights are not restricted to government expropriations. In 2005, over 1,400 'takeover artists' seized control of Russian private businesses, owned by locals and foreigners alike, by forging sales agreements, voting out the rightful owners and often using violence to take over factories. By either bribing authorities or stealing the ownership documents, these con men are outside the reach of the law (Kramer 2006). Starbucks, Kodak, Forbes, Audi and the H&M clothing chain have all been the targets of trademark 'squatters', who have registered the company names and extorted up to $60,000 from the rightful owners to reclaim their brands as the courts stand idly by. The Starbucks brand name was far more coveted, with an asking price of $600,000 (Kramer 2005: C1, C4). In Nigeria, con artists engage in a wide range of scams (including many of those email messages we get promising us riches if we send back our bank-account details) under the rubric of '419' (four-one-nine), from the Nigerian criminal code on financial fraud. Scammers offer poor people's houses for sale, and the poor warn potential buyers by painting signs: 'This House Not for Sale: Beware of 419' on their outside walls (Packer 2006: 72).

In corrupt countries, foreign firms will not only be forced to give bribes to government officials to do business, but they will also confront a wide range of strangling regulations and

weak property rights. The difficulty of doing business in a corrupt regime dissuades foreign firms from making investments. The correlation between corruption (the Corruption Perceptions Index) and the Heritage Foundation's index of investment freedom for 2008 is strong (r = .750, N = 90).

The World Bank and the Heritage Foundation have developed indices of the ease of doing business. The Bank's measure is a composite ranking of over fifty indicators of competing in a market economy (www.doingbusiness.org), including the regulations for starting a new business, the registration of property, construction permits, requirements for hiring and firing employees, import and export regulations, conditions for closing a business and investor protection and liability. The Heritage measure is similar. The correlations for the two measures for 2009 and the TI Corruptions Perception Index for the same year are −.759 for the World Bank measure and .806 for the Heritage measure (N = 90, the signs reflect the measurement of the indices). Corruption is a drag on a good business environment. And it also leads to less foreign direct investment. Foreign investment, using an index from the World Bank World Development Report, is lower in countries with much corruption (r = .759, N = 65). Faced with constant demands for bribes, companies may well shy away from investing in countries with high levels of corruption. IKEA breached its contact with the company that leased it the generators when it uncovered evidence of an employee taking bribes from the rental firm. Suits and countersuits ensued, and a court awarded the rental company €5 million in damages. Despite surging sales, IKEA suspended expansion in Russia (Kramer 2009).

Who benefits from less corruption? Does a better business environment and more transparency benefit the poor? The poor are not the consumers bilked by fake luxury goods – or even illegal software. They will not have their businesses expropriated. But they are the most likely to purchase tainted foods. When companies withdraw from markets in countries with high levels of corruption, jobs and tax revenues are lost. The effect on taxes is particularly strong: in transition countries, firms with foreign ownership are considerably more likely to report their income fairly to tax authorities than are domestic companies – and large companies (almost all foreign firms are large) are overwhelmingly more likely to give accurate reports of income (Uslaner 2010: 182–3). Foreign investment does lead to a reduction in inequality, albeit modestly (r = −.469 with the WIDER measure, N = 67 and −.349 with the World Bank Gini, N = 60).

Corruption and trust: Reprise

Corruption robs the public purse and benefits the rich at the expense of the poor. In generating more inequality, it leads to less trust in our fellow men and women. When people don't have this sense of generalised trust, they do not feel a common bond with each other. More equality generates greater trust, which, in turn, leads to more generous social-welfare policies aimed at creating more equality (Rothstein and Uslaner 2005). Lower levels of trust reflect a greater sense of identification with your in-group – and hostility to people who are different from yourself. Inequality breeds low trust, which in turn leads to the social and political conflicts that reinforce this inequality (Uslaner 2002: Chapters 2, 8). When corruption is seen as enriching those who are wealthy and powerful at the expense of the poor, it leads to lower trust – and ultimately to the inequality trap I described above (also Uslaner 2008: Chapter 2). Not only does corruption take away money from the public purse, it wounds the public spirit and makes it more difficult to reduce inequality.

Corruption also leads to less trust in government. This is hardly startling (Uslaner 2008: 133–6; 2011). Indeed, the trust in government scale in the American National Election

Studies includes two measures of corruption: does government waste tax money and, more critically, how many of the people in government are crooked – as well as an indicator of inequality (is the government run for the benefit of all or just a few big interests).[1]

People don't trust government when they think that it is corrupt, and when they are unsatisfied with the government's provision of services. And these generally go together. Dissatisfaction with government performance leads to tax evasion (Hanousek and Palda 2000; Uslaner 2010), which leads to lower revenue.

Is corruption always troublesome? Some, such as Huntington (2002), claim that petty corruption can even be useful to the poor: it is better to pay a little bit extra to get basic services than not to receive them at all. Paying to see the doctor early can save time. So can paying the police officer a fine for speeding rather than spending a day in court. People may well find petty corruption useful, but they would find a better functioning regime even more useful. And the very poor are unlikely to be stopped by traffic cops, and they may not see a doctor at all.

What about China, which has achieved high growth rates despite great corruption? The prominent Chinese scholar Angang Hu (2002) estimated that without corruption China would grow substantially faster. From 1999 to 2001, corruption cost China approximately 15 per cent of its annual gross domestic product. Hu details how fraud in taxation, public expenditures, capital flight, privatisation and other sectors rob the state of revenue. He argues (2002: 48): '[Corruption] leads to more inequality of social distribution . . . it damages both people and the society.' The Gini index of inequality in China has reached .47, higher than in any developed society. The gap between rural and urban areas is increasing, and the income gap (as measured by the ratio of income from the top 10 per cent to the bottom 10 per cent) has risen by over 300 per cent from 1997 to 2007 (Jia 2010; Tobin 2011). The riots in rural areas reflect tensions from inequality and corruption.

Corruption is not easy to eradicate. The best way to beat corruption is to reduce inequality, and the best strategy to reduce inequality is through a programme of universal social programmes, especially education, which frees people from relying upon corrupt leaders for sustenance (Rothstein and Uslaner 2005; Uslaner 2008: Chapter 9). Many poor countries with much inequality and high levels of corruption are plagued by poor systems of education. Even India, with world-class universities and a history of great intellectual contributions, is beset by '[p]ublic elementary and secondary schools [that] are underfunded and staffed by poorly trained teachers who often don't show up for work and who rely upon rote learning when they do' (Pearlstein 2011: G5).

The scourge of corruption is that it both stems from inequality and leads to even more inequality. It is difficult to break that cycle because the sorts of programmes most likely to work best, universal social welfare and especially education, cost a lot of money and may not gather political support. Officials in poor and unequal countries shrug when I have suggested this policy. Poor people in such countries are also reluctant to support such programmes since their taxes would be used to support programmes that benefit the rich and the poor rather than those that redistribute resources. Inequality thus persists over long periods of time. So does corruption. And as corruption leads to even greater inequality, the vicious circle is not readily broken.

Note

1 See www.electionstudies.org/nesguide/toptable/tab5a_5.htm. For other data sources, see Uslaner (2008). I omit descriptions here to save space.

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15

CORRUPTION IN LATIN AMERICA
A view from the AmericasBarometer

Brian M. Faughnan and Mitchell A. Seligson

Until fairly recently, political scientists generally viewed corruption in developing societies as, if not beneficial, largely benign. Indeed, eminent scholar Samuel Huntington wrote that 'the only thing worse than a society with a rigid, over-centralized, dishonest bureaucracy is one with a rigid, over-centralized honest bureaucracy' (1968: 386). The idea of corruption being a necessary evil and a mechanism that served to 'grease the wheels' of dysfunctional and unresponsive bureaucracies in developing societies survived well into the late twentieth century. Nevertheless, since the crest of the third wave of democratisation and the accompanying implementation of neo-liberal and open-market economic reforms throughout the Global South, social scientists have begun to view the presence and persistence of corruption in society through a more critical lens, and an interest in accurately and validly measuring this phenomenon has become of utmost importance to quantitative scholars.

However, like most complex concepts in the social sciences, there has been little consensus on the proper way to validly measure the presence of corruption in a given society. It is obvious that researchers cannot simply walk up to public officials and ask them how many bribes they have taken in the last year. Less direct indicators, however, run into other problems. For example, in an effort to get around these issues, scholars initially simply examined arrest and conviction records and created measures based on the number of persons arrested or convicted for crimes of corruption in society (Glaeser and Saks 2005). The problems with this measure, however, quickly became apparent – it is entirely possible, and perhaps even probable, that in a country where corruption is commonplace, there would be few corruption-based arrests, and even fewer convictions. When the legal system itself is immersed in corruption, the use of court records is hopeless – the more corrupt the system, the fewer the formal cases of corruption. Newspaper reports offer a similar problem in countries where the press is tightly controlled by the regime or by a particular set of economic or political interests. Conversely, one worries about over-reporting of corruption in a country in which the press is free but irresponsible. Each of these issues has been discussed in some detail in prior work (Seligson 2002, 2006). In an effort to move away from the use of official government records, international organisations began constructing corruption scores based primarily on perceptions within a country. Most prominent among these measures is Transparency International's Corruption Perception Index (CPI). As its name suggests, this measure does not account for the actual presence of corruption in a society but for the perception among select individuals

working and living within the country. Also, although in recent years there has been an attempt to incorporate more mass-level indicators into its index, the CPI has traditionally focused on high-level corruption within the business sectors of a country. As has been pointed out before, there are potential problems with this particular approach.

Consider Paraguay, long thought by most experts on Latin America to be an endemically corrupt country. It is also a country with very little foreign investment and very few international business arrangements. According to the World Bank, net private capital inflows for Paraguay in 2000 was a negative $16 million, and total foreign investment was only $82 million in an economy with a GDP of $6.9 billion. Foreign direct investment in Paraguay amounts to only about 1 per cent of the GDP, a level only one-sixth of that of its neighbour Brazil. How many of the respondents in the surveys of businesspeople used by the data sources whose perceptions were incorporated into the CPI had actually conducted business in Paraguay? The chances are, not many (Seligson 2006).

A second limitation of the CPI is that it is constructed as an aggregate measure at the national level with no way to either disaggregate to examine subnational variation or to examine the effects on the individual-level without first confronting the ecological fallacy.

To address some of the shortcomings mentioned above with TI's perception index, the World Bank developed a measure that they coined 'control of corruption'. As Seligson 2006 notes, the correlation between the two measures is remarkably high; however, like the CPI, the World Bank's indicator is also based largely on perceptions and is conducted at the national level with no possibility of disaggregation. Recently, scholars have begun to question both the validity and reliability of aggregated corruption studies based largely on perceptions or other subjective measures.

> We now know that states are perceived by business people and their citizens to be less corrupt if they are highly developed, long-established liberal democracies, with a free and widely read press, a high share of women in government, and long record of openness to international trade. Countries are perceived to be more corrupt if they depend on fuel exports, have intrusive business regulations, and suffer from unpredictable inflation.
>
> *(Treisman 2007: 211)*

This point is also made by Andersson and Heywood (2009). These studies have also suggested that a possible alternative to aggregated, perception-based corruption indicators might be individual-level experienced-based measures.

In this chapter, we examine the effects of corruption using experience-based measures constructed from nationally representative surveys conducted in the Latin American and Caribbean regions. We begin by examining in-depth the corruption victimisation measure and review the results of this measure both across time and space. We then briefly examine who is most likely to be a victim of corruption in the region. This chapter then focuses on research that has sought to explain the impact of corruption victimisation on democratic attitudes and behaviours.

Measuring individual experience with corruption

Recognising the lack of attention being paid to individual experiences with and objective measures of corruption, Vanderbilt University's Latin American Public Opinion Project (LAPOP) developed a corruption victimisation measure which has consistently been included

in LAPOP studies since 1996. In order to measure an individual's experience with corruption, the LAPOP team has included in every round of the AmericasBarometer a series of questions asking respondents if they, in the past twelve months, have personally been asked to pay a bribe by one of the following: the police, a public employee, in a municipal office, in their place of employment, in the courts, in the public health sector or in the school system. Figure 15.1 below presents the percentage of respondents who report having been victimised by corruption in the past year by each round of the AmericasBarometer.

Figure 15.1[1] presents the percentage of respondents since the inception of the AmericasBarometer in 2004 that report having been asked to pay a bribe in the past year.[2] The estimated values are represented by the black dot with the confidence intervals represented by the areas shaded in grey. As the figure depicts, the proportion of the sample (adjusted for the complex sample design) reporting having been victimised by corruption in 2004 and 2006 was 22 per cent, while in the 2008 and 2010 rounds, the proportion declined to about 19.5 per cent. While the figure above assists us in understanding regional trends over time, it does not allow us to look at the issue of corruption victimisation cross-nationally. Below, we report the proportion of the population, by country, in 2010 who report having been victimised by corruption in the past twelve months.

Although the aggregated results presented in Figure 15.1 show that across the countries sampled, almost 22 per cent of respondents surveyed in 2012 report having been victimised by corruption, Figure 15.2 shows that there is significant amounts of variation across countries.[3] Most strikingly is the case of Haiti, where about two-thirds of the population has been
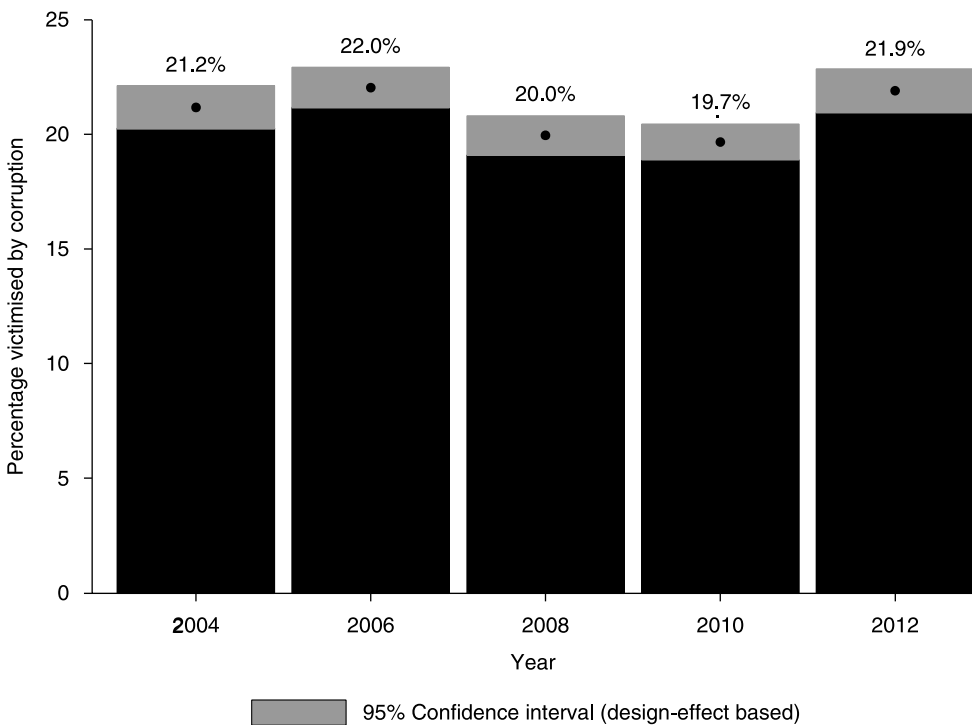
Figure 15.1 Percentage of respondents having been victimised by corruption, by year.

Source: ©AmericasBarometer by LAPOP
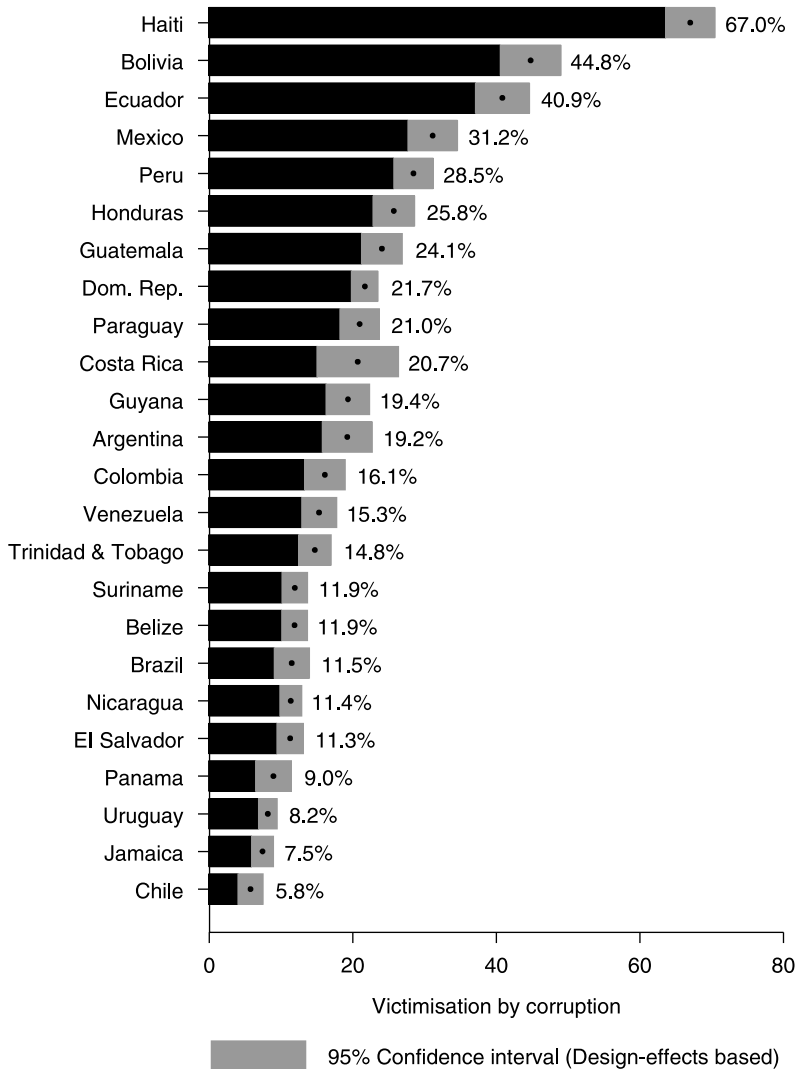
Figure 15.2 Proportion of citizens victimised by corruption by country, 2012.
Source: ©AmericasBarometer by LAPOP

asked to pay a bribe in the past twelve months. Below this extreme case we find that in Bolivia and Ecuador, over 40 per cent of respondents report having been asked to pay a bribe in the preceding year. Alternatively, in four countries, less than 10 per cent of respondents report having been victimised by corruption: Panama, Uruguay, Jamaica and Chile. As we explained above, the corruption victimisation measure presented in Figure 15.2 is based on respondents answering 'yes' to any one of seven questions asking about public–sector corruption. However, do these figures vary by type of corruption? Can, for example, most of the corruption experiences in Haiti be attributed to one venue? To understand differences among the various places where corruption is measured in this series of items included in the AmericasBarometer, the following figures display the proportion of the population that has been victimised by each type of corruption in the 2012 round.

Figure 15.3 shows the results for each of the seven questions used by the AmericasBarometer to determine whether an individual has been victimised by corruption or not in the 2012 round. Some clear distinctions between these charts and Figure 15.2 stand out. First, although Haiti is a clear outlier in terms of overall corruption, we find that in terms of bribes being solicited by the police, Haiti does not stand out in any significant way. Indeed, for the 2010 round, Haiti falls firmly into the middle tier of countries with citizens reporting having been asked to pay a bribe by a police official in the past twelve months. In the case of bribes being solicited by a police officer, Mexico has the highest proportion of citizens being victimised by corruption, at 20.5 per cent, followed by Bolivia and Guatemala, at 20 per cent and 18 per cent, respectively.[4]

In the other five instances used to make up the corruption victimisation measure, Figure 15.3 shows that Haiti is consistently the country with the highest proportion of citizens being asked to pay a bribe. For the questions regarding bribes at work, in the courts, in the public–health sector and in schools, respondents were first asked whether they have had any contact with these institutions in the past year; the results below include only those respondents who reported to have had such contact. Perhaps most alarming are the final two charts in the combined figure. Of those Haitians who reported having used public–health services in the past year, or having had a child enrolled in school, over 60 per cent report having been asked to pay a bribe within these sectors. In terms of health–sector bribes, the next closest countries are Ecuador and Bolivia, both with about 20 per cent of those who used health services having been asked to pay a bribe. Clearly, the results presented below have significant implications not only for the development and consolidation of democratic attitudes and
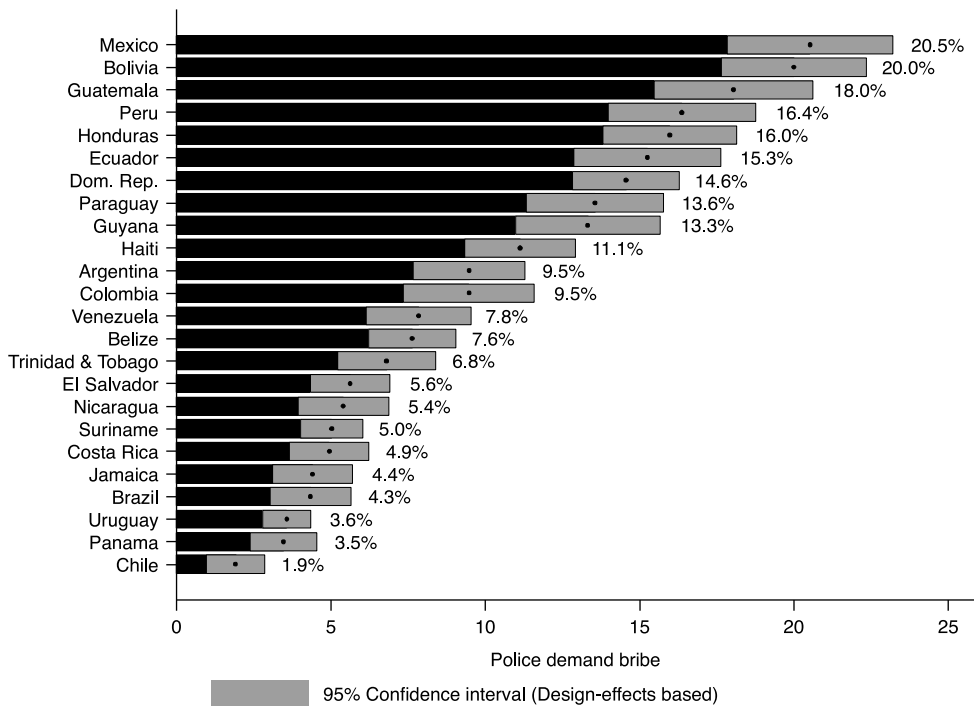
Figure 15.3 Proportion of population victimised by type of corruption by country, 2012.
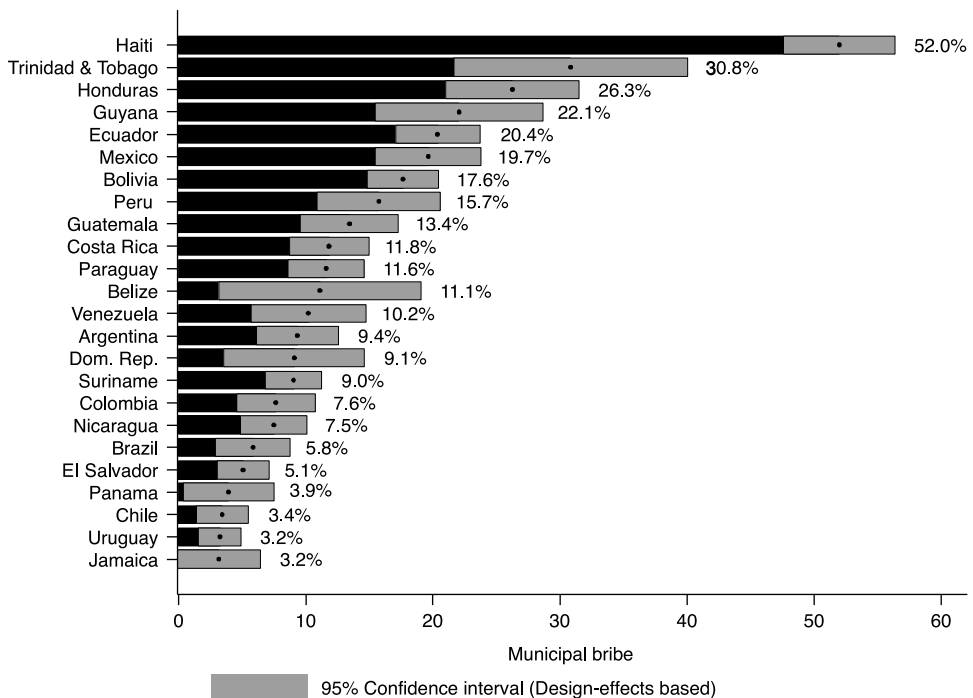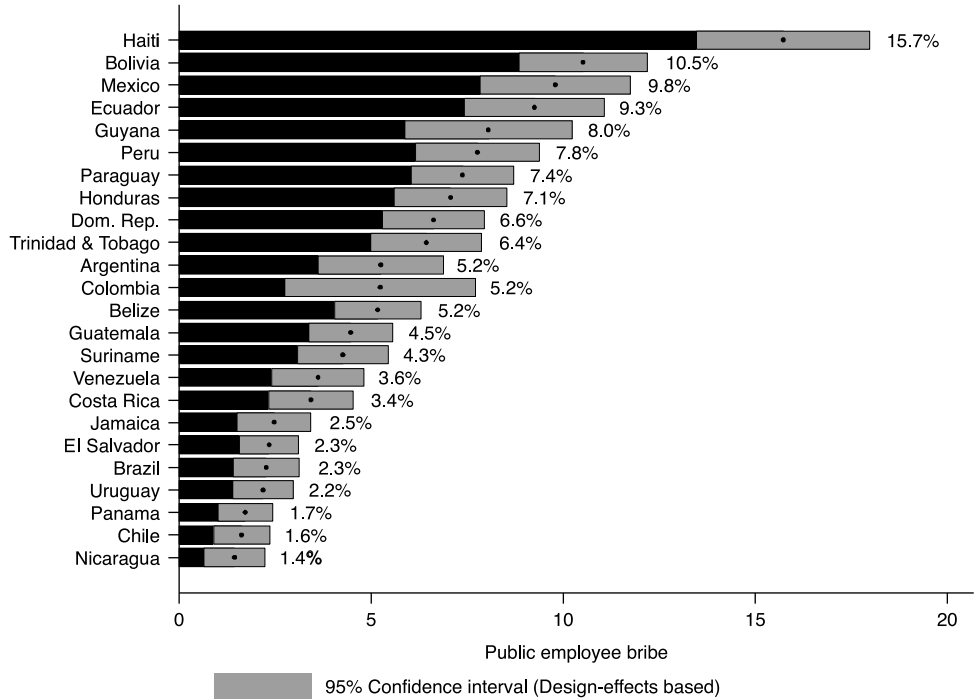
Figure 15.3 Continued

Figure 15.3 Continued

Haiti 62.0%
Ecuador 19.8%
Bolivia 18.9%
Costa Rica 18.2%
Honduras 16.7%
Mexico 13.6%
Argentina 9.3%
Venezuela 6.6%
Panama 6.3%
Peru 6.0%
Guatemala 5.9%
Brazil 5.8%
Suriname 5.5%
Dom. Rep. 5.3%
Guyana 4.6%
Paraguay 4.2%
Nicaragua 4.1%
Trinidad & Tobago 4.0%
Colombia 3.7%
Belize 3.1%
El Salvador 2.3%
Chile 2.1%
Jamaica 1.3%
Uruguay 1.2%

Public health service bribe

95% Confidence interval (Design-effects based)

Haiti 65.0%
Ecuador 22.2%
Bolivia 18.8%
Honduras 14.8%
Mexico 14.8%
Peru 12.5%
Costa Rica 11.8%
Paraguay 8.1%
Venezuela 6.5%
Argentina 6.4%
El Salvador 5.5%
Guatemala 5.5%
Suriname 5.3%
Brazil 4.6%
Dom. Rep. 4.6%
Panama 3.9%
Nicaragua 3.4%
Colombia 3.2%
Chile 3.2%
Trinidad & Tobago 2.0%
Guyana 2.0%
Uruguay 1.6%
Belize 1.4%
Jamaica 1.4%

Bribe at school

95% Confidence interval (Design-effects based)

Figure 15.3 Continued

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values throughout the region, but, and more urgently, for access to health care and education for the region's most vulnerable.

Taking advantage of one of the unique features of this particular measure of corruption victimisation when compared to the aggregated measures discussed above, the next section of this chapter will seek to understand who in Latin America and the Caribbean is most likely to be asked to pay a bribe. Using the combined measure displayed in Figure 15.2 and logistic regression analysis, we will present results regarding the probability of distinct populations in the Americas being victimised by corruption.

Who is asked to pay a bribe in the Americas?

As in the case of most social phenomena, we do not expect the soliciting of a bribe to be distributed randomly across the populations in the countries surveyed. In this section, we examine the effects of standard socio-economic and demographic variables on the likelihood of being asked to pay a bribe in the past twelve months.

Figure 15.4 presents the results of a multivariate logistic regression explaining the probability of being asked to pay a bribe in the past twelve months (for full linear results, see Table 15.1).[5] Each independent variable included in the analysis is listed on the vertical axis. The dot represents the impact of the variable, and the bar represents the confidence interval. When the bar does not intersect the vertical '0' line, that variable is statistically significant. While gender and urban versus rural are not statistically significant, the other variables are, with 95 per cent confidence. All five of the standard socio-economic and demographic variables included into the analysis are statistically significant. In terms of both education and wealth, we find a positive relationship with the dependent variable; citizens who are more wealthy and higher educated are more likely to be solicited for a bribe than are poorer and less
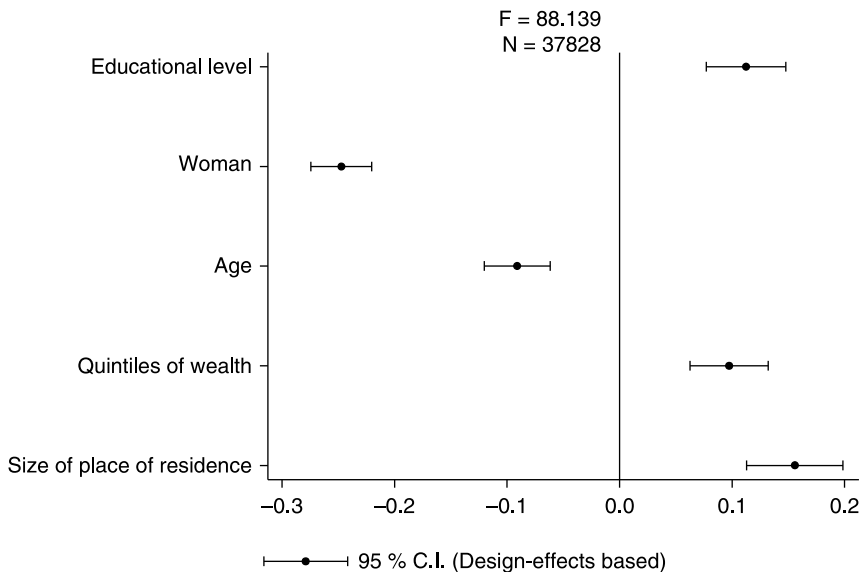
Figure 15.4 Explaining corruption victimization, 2012.
Source: ©AmericasBarometer by LAPOP

Table 15.1 Results of logistical regression analysis explaining corruption victimisation. Corresponds to Figure 15.4

	Standardised coefficients	Standard errors
Education level	0.112★★★	(0.018)
Female	−0.247★★★	(0.014)
Age	−0.091★★★	(0.015)
Wealth quintal	0.097★★★	(0.018)
Size of place	0.156★★★	(0.022)
Mexico	0.418★★★	(0.036)
Guatemala	0.359★★★	(0.035)
El Salvador	0.165★★★	(0.036)
Honduras	0.406★★★	(0.038)
Nicaragua	0.186★★★	(0.036)
Costa Rica	0.312★★★	(0.046)
Panama	0.102★	(0.046)
Colombia	0.188★★★	(0.035)
Ecuador	0.487★★★	(0.035)
Bolivia	0.714★★★	(0.049)
Peru	0.362★★★	(0.034)
Paraguay	0.304★★★	(0.035)
Uruguay	0.079★	(0.035)
Brazil	0.157★★★	(0.039)
Venezuela	0.216★★★	(0.036)
Argentina	0.287★★★	(0.039)
Dominican Republic	0.311★★★	(0.033)
Haiti	0.783★★★	(0.038)
Jamaica	0.075★	(0.038)
Guyana	0.298★★★	(0.037)
Trinidad & Tobago	0.225★★★	(0.036)
Belize	0.195★★★	(0.036)
Suriname	0.183★★★	(0.037)
Constant	−1.480★★★	(0.021)
No. of observations	37,828	
F Statistic	88.14	

Note: ★p<.05 ★★p<.01 ★★★p<.001 Country reference category is Chile.

educated citizens. It is obvious, then, that those who made demands for bribes know which individuals are more capable of paying. The regression results also show that younger citizens and males are significantly more likely to be asked to pay a bribe than their older and female citizens. The young are more likely to interact with system officials, including schoolteachers, than the old, while males are more likely to have business and other formal transactions that would put them in a position to be asked to pay a bribe. Finally, as previous research on the topic would suggest, citizens living in more populated areas are more susceptible to be victims of corruption than are those individuals who live in more rural zones of the country. The density of public officials is higher in urban, as compared to rural, areas.

Although the above figures are useful in understanding the sign and significance of each independent variable's relationship with the dependent variable, as well as their impact in

relation to each other (given the standardised nature of the coefficients), it is not particularly useful in understanding the substantive impact of the explanatory variable on the likelihood of being asked to pay a bribe. In order to demonstrate the substantive effects of the independent variables, we have calculated predicted probabilities for certain 'types' of citizens. For example, the probability of a highly educated, young, wealthy male living in a large urban area being asked to pay a bribe is about 0.38, while, on the other extreme, an older, poorer, uneducated woman living in a rural town has a probability of 0.09 of being victimised by corruption.[6]

Because of space constraints, we are not able to replicate the regression analysis presented above on the individual corruption questions. However, LAPOP studies examining the causes of corruption victimisation by the police, municipal office, public-health institutions and public employees find that, in general, the younger, the wealthier, males, and those living in more highly populated areas are more likely to be victimised by corruption. The exception to this, however, is the case of corruption victimisation within the public-health sector; socio-economic and demographic variables are not as strongly correlated with these outcome variables as they are with others (Orcés 2009).

The individual-level impact of corruption in the Americas

In this chapter, we have examined the prevalence of corruption victimisation both across time and across countries throughout the Latin American and Caribbean regions. We have also analysed the individual-level socio-economic and demographic predictors of being victimised. However, how does corruption victimisation affect individuals in the region? If the answer is, 'it doesn't', then there would be little motivation for understanding this phenomenon; yet, since LAPOP developed its measure in the mid-1990s, scholars have consistently demonstrated that, as expected, corruption victimisation has pernicious effects on Latin Americans' democratic perceptions, attitudes and values. In this section, we look to see just how corruption victimisation affects individual-level attitudes and perceptions throughout the region and how these attitudes might affect the consolidation of the fragile democratic systems that currently exist in many Latin American and Caribbean countries.

The general consensus among scholars investigating the impact of corruption on citizens in the Americas is that it 'constitutes an obstacle for the consolidation of democracy in the region' (Zéphyr 2008: 251). Since the initial development of the corruption victimisation indicator, researchers have consistently come to depressing (yet expected) conclusions regarding the effects of corruption victimisation. In a study of four Latin American countries, Seligson (2002) presents evidence that clearly contradicts the 'functional view of corruption' as advocated by Huntington (1968), Merton (1957) and others. In his analysis of corruption experiences in El Salvador, Nicaragua, Bolivia and Paraguay, Seligson found that '[i]n every case, higher corruption is significantly associated with lower support for the legitimacy of the political system' (2002; see also Zéphyr 2008). This same study also presents evidence that corruption victimisation may have negative effects on the development of interpersonal trust in the region, a necessary component to a resilient and consolidated democratic culture (Inglehart 1990; Putnam 1993).

More recent studies have corroborated the original findings presented by Seligson. Latin American and Caribbean citizens who are victimised by corruption are also less supportive of both the way in which democracy functions in their society as well as belief in democracy being the best form of government (Zéphyr 2008). Similarly, not only does being a victim of corruption appear to lessen support for democratic processes and governance, but it also seems to increase support for overtly non-democratic means; throughout the Americas, victims of corruption are, on average, more supportive of possible military take-overs in their countries

than are citizens who have not been victimised (Booth and Seligson 2009; Bell 2012). Although the negative effects of corruption victimisation on democratic attitudes and values are quite clear, the same conclusion cannot be made in regards to its effects on political participation. Overcoming severe methodological and causality issues when trying to assess the impact of corruption on participation have undoubtedly hampered the findings of many; after all, it is quite probable that those who participate more place themselves in situations where they are more likely to be victimised than those who do not participate. Indeed, research by both Cruz and Corral show that corruption victimisation either does not serve as a significant predictor of participation (Cruz 2009) or that it actually serves as a positive predictor (Corral 2009). These results are in accordance with those of Booth and Seligson (2009) who find positive correlations between corruption victimisation and various modes of political participation in their study of political legitimacy in Latin America. Similarly, research focusing on corruption victimisation in Bolivia suggests that corruption induces citizens to partake in unconventional forms of political participation, 'citizens' personal experiences with corruption play an important role in encouraging aggressive and (at times) coercive protest behavior' (Gingerich 2009: 28).

The effects of corruption victimisation on democratic attitudes are fairly clear and robust: citizens who have had direct experiences with democracy are less supportive of democratic norms and processes and more supportive of anti-democratic alternatives. Research has also found a strong correlation between corruption victimisation and various modes of political participation; however, more work is needed that addresses the ever-present issues of endogeneity and establishes clear causal arrows.

Conclusion

Using individual level data, this chapter set out to understand the impact of corruption on the democratic behaviours, attitudes and values of citizens living in the Latin American and Caribbean regions. We have demonstrated that corruption victimisation is not only a common occurrence throughout the region but also that it is not distributed randomly throughout the hemisphere. Indeed, approximately two of every three Haitians have been victimised by corruption in the past twelve months while only about 5 per cent of Chileans have been victimised. Also, we find that males who are highly educated, younger, wealthier and living in urban areas are more at risk of being victimised than others.

In terms of the impact corruption victimisation has on democratic attitudes and values, we find that these experiences are detrimental to an individual's attitude towards regime legitimacy, support for democracy and even interpersonal trust. The results, however, do not transfer as neatly to the realm of political participation.

Notes

1 The number of countries included in each round of the AmericasBarometer has grown from eight in 2004 to twenty-six in 2010. For a complete list of countries included in each round and the sample size for each country, see www.lapopsurveys.org.

2 In an effort to maintain comparability across survey years, in Figure 15.1, we incorporate only those countries that are included in the three rounds being analysed. Those countries are Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Ecuador, Bolivia, Peru, Paraguay, Chile, Uruguay, Brazil, Venezuela, Dominican Republic, Haiti, Jamaica and Guyana.

3 In addition to the twenty-four countries in the Latin American and Caribbean regions, the AmericasBarometer included a nationally representative survey of the USA and Canada. However,

given that the focus of this chapter is on Latin America and the Caribbean, we have excluded these two countries from our analyses.

4 One may presume that the significantly higher levels of corruption victimisation in Haiti in 2010 could be attributed to the earthquake that took place in the same year. However, Zéphyr and Córdova (2011) demonstrate that this is not the case since the levels of bribery there have long been high.

5 Country fixed effects are included but not shown.

6 All analyses in this chapter were generated using Stata v.12. Predicted probabilities were calculated using the prvalue command.

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16

CORRUPTION AND DEVELOPMENT

The mutable edges of morality in modern markets

Sarah Bracking

This chapter explores the features of modern developing country markets, using some examples from South Africa, to argue that traditional definitions of private-sector corruption are simply too narrowly focused to capture the range of economic activities that are of widespread contemporary concern to citizens. Many noxious outcomes and behaviours remain legal, such as tax avoidance and evasion, thin capitalisation and deliberate bankruptcy of subsidiaries by ephemeral investment funds. Relatedly, business regulation and corporate law remain weak and porous in many markets. In short, to reduce private-sector corruption requires work to redefine the scope and applicability of the concept itself, in order to better align what the general population view as immoral with what is formally illegal. In order to attempt this redefinition we need to examine more closely the mutable edges of the markets in which private-sector corruption takes place. These have been made particularly complex in the past thirty years or so by neo-liberal economic policies and greater internationalisation and financialisation of developing-country economies. This context has eroded a clear divide between the public and private sector, creating many spaces in which the newer forms of corporate malpractice have grown, including in the mispricing of derivatives which contributed to the 2008 financial crash (Hildyard 2008; Beetham 2011). In this chapter, the argument will be developed using illustrative examples from southern Africa, where development finance institutions and private-equity firms jointly coinvest from tax havens and by so doing maintain a key strategic role in overall economic development (Bracking et al. 2010; Bracking 2012b).

The 2008–9 crash and aftermath, and the 'necessary' role of governments to bail out ~banks, only to become severely indebted themselves (see Wolff 2011; Weeks 2012, who question this necessity), has opened up the political space to question our conceptual understanding of private-sector corruption and how to lessen the spoils it generates and removes from the development effort and fiscal accounts (Eurodad 2011). Indeed, since 2007, finance, banking and corporate practices, their legitimacy and (im)morality, and the effect of private-sector corruption on democracy have become ever more popular areas of study, mostly theorised using the popular concept of 'financialisation' (Krippner 2004; Epstein 2006; Lee et al. 2009). Epstein summarises that 'financialisation means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (2006: 3), which serves as a typical definition from within this literature. However, and this too is typical, it is describing symptoms and

phenomena with few details of actual firm behaviour or reference to what financiers do, the calculative devices they employ and the discursive meanings they assign to their behaviour. In short, it is a definition without a direct account of agency. This is arguably unhelpful, such that a better definition of financialisation refers to financiers using technologies of power (in terms of their place, connections, wealth and authority) 'to quantify human and physical contexts, privilege financial parameters in decision-making, and ultimately return decisions over resources in favour of money-holders in contexts of contested uses and meanings' (Bracking 2012a: 274). Using this definition allows us to examine firm structure and behaviour more closely in the context of financiers having more power than ever in global economic affairs relative to public regulation.

We progress by first considering the current narrow meaning of private-sector corruption, which is that it constitutes the giving of a bribe to someone in the public sector, in the context of 'new forms of private-sector corruption', facilitated by changes in the global political economy, which the chapter argues should be considered as corruption as well. We then illustrate the argument for a widened definition using cases of private-sector corruption from South Africa. The final section will then suggest how we could (re)define private-sector corruption using democratic mediating values to include these new behaviours that are damaging development prospects and causing increased social and economic inequality, inequity and abjection (ActionAid 2010; Oxfam 2000; Bracking 2012b). The objective is to provide a definition that works better for the most vulnerable, since a broader definition has the possibility of catalysing better anti-corruption policy in the service of economic justice. A broad concept could increase the political traction behind separate ongoing but largely technical initiatives on illicit payments, expenditure transparency, proportionate tax formulae, corporate integrity and social responsibility and arm's-length pricing, to name a few areas.

The traditional definition of private-sector corruption

Traditional definitions of corruption have focused solely on the public sector (Polzer 2001; Brown and Cloke 2004: 283–4), arguing that public-sector workers who use state resources or their influence or position to further their private gain are the ubiquitous purveyors of corruption in development. The orthodox position is that political corruption is the abuse of public office for private gain (World Bank 1997). Similarly, the USA's Foreign Corrupt Practices Act (1977), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1999) or the soft law Extractive Industries Transparency Initiative are designed as if private-sector corruption only happens at the boundary of the firm when it interacts with the public sector, when an official demands a bribe. It is thus seen as 'demand-led' (public sector) rather than occurring in response to actions on the supply-side (private sector) (Doig and Marquette 2005), such as the unsolicited offering of bribes (which of course also happens). In this context, the World Bank, International Monetary Fund and other bilateral development finance institutions have maintained narratives invoking sympathy for private-sector actors in the face of public pathology recorded from the late 1990s (Szeftel 1998). Indeed, by 2005, 'corruption' was signified in the Commission for Africa report as the most salient and prominent problem facing African development (Commission for Africa 2005; Bracking 2007). Thus, the private sector, in contrast to the guilt of public officials, has been systematically portrayed as a victim of bad governance and the (inevitably) corrupt African state, forced into bribery, 'dash money' or facilitation payments as a consequence of systems that resist reform. The private-sector actors have often colluded with this representation, because of the efficacy of bribery to 'get things done', in bureaucratic contexts characterised by

functioning services, but nonetheless environments where bribery still achieves an expedited outcome or sometimes an exception from a regulatory rule (Cornerhouse 2004).

Even in 2010, in an essay taken from the World Development Indicators, *Silent and Lethal: How Quiet Corruption Undermines Africa's Development Efforts*, the private sector receives scant mention, and absentee primary-school teachers and absentee health workers are demonised under the term 'frontline provider misconduct', where 'quiet corruption' is about misconduct rather than a monetary transfer, including not putting enough effort into one's work or 'deviation from expected conduct' (World Development Indicators 2010: 1, 2). *Silent and Lethal* has the orthodox narrative: after briefly discussing a lack of progress in service delivery in health and education, despite increases in funding, the report notes that '[c]utting across all these problems is Africa's fundamental problem, namely weak governance and associated corruption' (World Development Indicators 2010: 1). While the report's inclusion of the private sector as a site of corruption looks initially promising, the authors still begin with the premise that 'enterprises are the immediate victims of corruption'. Any suggestion of perpetration is omitted, and they are presented as 'having to pay' informal payments (but not choosing to) in order to 'get things done' (World Development Indicators 2010: 1).

What is missing from this report and those that have preceded it is a discussion of immoral or corrupt malpractice more broadly in firms and the economy (see Eurodad 2011). Indeed, they imply a unidirectional transaction where an individual has to be 'in' the public sector to be able to 'do' corruption. The corrupt action is also modelled as an individual one, such that the systematic capture of public subsidy by private firms, through such activities as regulatory capture, treaty shopping or 'greenwash' to capture climate finance (in the case of certified emissions reductions (CERs) and offsets described below), are not included. While some part of the captured public subsidy often ends up in a private bank account (as a bribe), there is also a collectivised system in many economies which escapes attention.

Recent work on transparency initiatives (summarised in Kolstad and Wiig 2008; Lindstedt and Naurin 2010) has shown, that the extortive type of corruption (when a public official demands a bribe) is easier to ameliorate with interventions to increase transparency than the collusive type of corruption (where both parties benefit, generally because there is an underlying theft from the government which is shared between them), where little incentive to report exists (Brunetti and Weder 2003; see also Shleifer and Vishny 1993). Additionally, in patrimonial, clientelist and endemically corrupt regimes with a low quality of governance institutions, the latter types of collusive, and often collectivised, corruption predominate. In other words, the traditional modelling of the individual bribe-taker and bribe-payer within principal–agent theory, where the principal of a public institution lacks enough knowledge about what the agent is doing to adequately control their behaviour, is unsuitable. Instead, we have a collective-action problem (Mungiu-Pippidi 2006; Persson et al. 2010; Rothstein 2011) since the principal, the agent and the firm are more likely to be cooperating with each other, and the incentive for anyone else in either organisation to report corruption is negligible since it would lead only to their own exclusion. The means by which regulatory capture is won, whether by 'revolving doors' between the public and private sector in personnel or by more secretive transfers of ownership and directorships, or indirectly through lobbying, clientelism or political financing, are all areas that deserve more research attention, alongside more traditional emphasis on direct bribes in exchange for public tenders (see Kolstad and Wiig 2008).

But to develop our new definition further, we need to look at the range of activities that should be included and how their inclusion can be systematically justified by mediating values (see below). Potential new forms of corruption are listed and defined in Box 16.1 below. The premise here is that the traditional definition, even if applied in a collective sense, remains too

limiting since it excludes immoral behaviour in key sites, critically excluding behaviours taking place solely in the private sector. Thus, arguably, private-sector corruption can take place within and between firms per se, such as in the case of trade mispricing, which amounts to the staggering figure for developing countries of between US$775 billion and US$903 billion in illicit payments globally each year (Global Financial Integrity 2011: vii). Private-sector corruption can also take place between firms and other institutions including those charged with regulation and governance, termed 'regulatory capture', but also with third sector bodies, affected communities and their leaders and with private individuals. In this second type, sited at the frontiers of the public and private and the 'private and private', the idea of the corrupt official and the firm 'as victim' forced to pay them has dominated the literature, but it is only one of many possible transactional relationships. The 'private to private' type appears to have grown rapidly, facilitated by greater financialisation of the global economy, such that illicit flows increased by 14.9 per cent per annum from the start of the 2000s to 2009, rising from US$353 billion to US$775 billion. Adjusting for inflation, this gives a figure of a 10.2 per cent increase with outflows from Africa growing fastest at 22.3 per cent (Global Financial Integrity 2011: vii).

Box 16.1.   New forms of corruption

Deliberate bankruptcy   Practices in which the owners and/or managers of a company knowingly take excessive remuneration, strip the firm's assets or otherwise conduct corporate affairs for short-term private gain at the expense of the firm's continued operational viability. This sometimes also occurs in the context of avoiding future financial obligations of the operating entity, such as pension funds.

Illicit financial flows   'Money that is illegally earned, transferred, or utilized' (Kar and Cartwright-Smith 2007: iv). This concept incorporates the related category of illegal capital flight (but not legal capital flight), where flows are specifically in violation of laws and regulations. According to Global Financial Integrity, it does not currently include the proceeds of criminal smuggling, trade mispricing, or mispriced asset swaps, which are not direct money flows (see Kar and Cartwright-Smith 2007: iii–iv; ADB and GFI 2013: 1).

Jurisdiction shopping   In the corporate context, the active selection of a particular jurisdiction in which to domicile part or all of an economic entity away from its material operations in order to avoid or evade tax (see Palan 2002: 172). This often involves the fictional fragmentation of a firm into a complex and opaque set of distinct legal entities located in different jurisdictions.

Tax evasion   Criminal non-payment of tax. Tax avoidance is a related practice that also leads to non-payment but is technically legal.

Thin capitalization   Under-investment of a domestic company relative to its offshore parent in order to evade or avoid tax. It is often accompanied by an inverted company structure in which the bulk of the assets are kept offshore, with an onshore shell (see Heggstad and Fjeldstad 2010). This is an established term, and some countries have 'thin-cap' regulations.

Trade mispricing   Abuse of pricing in trade between apparently unrelated parties, such as through the deliberate over-invoicing of imports or under-invoicing of exports, usually for the purpose of tax evasion.

Transfer pricing   'A transfer price is a price, adopted for book-keeping purposes, which is used to value transactions between affiliated enterprises integrated under the same management

at artificially high or low levels in order to effect an unspecified income payment or capital transfer between those enterprises' (OECD 2001). Transfer pricing is 'not, in itself, illegal or necessarily abusive' in all definitions (Tax Justice Network 2013), but here we will assume a mispricing element.

Source: Bracking 2013: 3.

As we see below, financialisation of the global economy has facilitated innovations offshore in the way that bribes are paid. Here the private sector, often jointly invested by (nominally 'public') European development finance institutions in private–equity funds receives income from management service and leasing contracts in relation to onshore firms as a means to both avoid tax and pay bribes (Bracking et al. 2010; Bracking 2013). Indeed, I will argue in this chapter that the means used to pay bribes and receive them, which were once more clearly corrupt and 'under the table', passing in brown envelopes between briefcases, have become systematised into legal corporate business practice. This is because liberalised economies of the South, particularly those with core offshore nodes, are particularly vulnerable to new forms of corruption, and public regulation lags far behind as a means to hold them in check, despite the noble efforts of the thirty-six country intergovernmental Financial Action Task Force in its remit to promote integrity in the international financial system (see Financial Action Task Force 2013).

New forms of private-sector corruption?

In this section we will explore new forms of private-sector corruption sited solely within the private sector, and then, in so far as they can be conceptualised separately, new behaviours pertaining at the frontier between the public and private sector. In general, our examples show that what we can frame as corrupt behaviour, defined as that which diverts from the public good for private gain, from both within the public sector and from the firm conceived as a social institution, has increasingly become systemic in the economy, or at least that corporate crime is prolific (see Tillman 2009a, 2009b).

This is because of three broader changes within the global economy due to financialisation (see also Weigratz 2012). First, the particular and rapidly increasing role played by private–equity funds in financial markets from the mid-1980s. Second, and related, there has been a tendency for global corporate structures to become ever more complex and fragmented, often involving an internal investment bank headed by one or more private–equity funds offshore. In this, Palan is right to discuss the modern multinational corporation as having a fictional fragmentation, existing as a network of dispersed and juridical subjects with no simple unitary legal existence. He summarises that 'the true meaning of the term "international tax planning" . . . is the planning of whichever aspect of their "reality" corporations or wealthy individuals are prepared to reveal at whichever location' (Palan 2002: 172). These fragmented structures facilitate transfer and trade mispricing by providing for a close web of intra-firm transactions. In the particular case of corruption (since trade pricing technically refers to a larger population of overall transactions), the same structures used for pricing have proven to have a high utility for mispricing, transferring and hiding bribes, often disguised as overly rewarded technical assistance and management service fees. The third means by which this institutional internalisation of corruption has taken place is by the systemic use of offshore nodes, in which off-balance-sheet items, debt, liabilities or

stores of wealth can evade conventional accounting systems altogether. We will discuss these in turn, using case studies that illustrate one or more of these aspects.

Cases from South Africa

The economies of southern Africa are dominated by large firms, many of whom are working in partnership with private-equity funds and development finance institutions, who themselves are domiciled in secrecy jurisdictions, popularly called 'tax havens', defined as jurisdictions characterised by secrecy that privilege non-national entities and persons in tax regulation (NOU 2009). Because of this domicile arrangement, the pooled investments that are made by these international conglomerates, nationally owned firms and development finance institutions are characterised by opacity, with the beneficial owners of firms and the accounts kept a secret as a consequence of secrecy jurisdiction domicile. Often, large infrastructure and mining projects are financed using 'special purpose vehicles', a private-equity fund which has a finite five- or ten-year form (Bracking 2012a, 2012b; Hildyard 2012). National banks are often complicit in facilitating illicit financial flows between the national firm and the offshore 'vehicle' (Heggstad and Fjeldstad 2010).

This has repercussions for the nature of corruption in the private sector. Practices include thin capitalisation (setting up an offshore shell company to hold the assets and then indebting the onshore firm to it through expensive loans), transfer pricing and the rerouting of profits through multiple offshore accounts and the associated behaviours outlined in Box 16.1 (see NOU 2009). These corporate practices undermine developing countries' systems of regulation, which may have been additionally historically weak, in the areas of due diligence, shareholder accountability and risk management (Bracking 2012b). In this environment, insider dealing, excessive remuneration and disappeared assets are relatively common, which in the South African case often leads to the alleged deliberate bankruptcy of black economic empowerment (BEE) firms who initially receive state rents and subsidies. Of all the economies in the Southern African Development Community (SADC), South Africa's is by far the largest and most internationalised (Bond 2006; Padayachee 2011; Hart and Padayachee 2011), providing inward investment to its neighbours (Daniel et al. 2004) and sourcing capital from its own residents and foreign funds alike from offshore tax havens, principally Mauritius. In fact, capital flight has been so extensive since 1994 that the government of South Africa has concluded that it may as well call an amnesty for tax evasion in the hope of getting at least some of the funds repatriated (Ashman et al. 2011).

The private economy in South Africa is also closely linked to the political elite in that new black-owned businesses have often been spun out by the state acting as midwife and handmaiden (Southall 2004). The chief source of growth and investment in most provinces, except possibly Gauteng, is money from procurement contracts to serve the public sector. McKinley argues that a system of patronage emanates from President Zuma that 'works almost like a corporation with various subsidiaries. Though it is very hard to connect the dots back to Zuma – deniability is key – it's clear that he is the godfather, sitting on top of the pyramid comprised of tactically useful business and political elites' (quoted in Sharife and Cullinan 2011: 27). This patrimonial modus operandi within the South African state, which is arguably becoming more persistent, still, however, competes with three other contending forms of governance: the remnants of the apartheid state (declining in significance), the neo-liberal state and the radical rainbow alliance (Szeftel 2006). But whatever the nature of contested state power in South Africa, which would be another chapter in itself, it is clear that there is a close connectivity between successful firms and political actors that privileges both

in respect of winning public procurement contracts and state subsidy in its various forms. The South African private sector thus has dense nodes around sites of interaction where subsidy is distributed.

A patrimonial economy is in evidence, particularly in President Zuma's home province of KwaZulu-Natal (KZN), which Sharife and Cullinan characterise as a place where many Zulu citizens 'equate Zuma as president with Zuma as "patron-in-chief" of the province's interests' (2011: 24). Not only are there an impressive number of 'home boys' from the province in the national cabinet, including dominance in departments of security (State Security Minister Siyabonga Cwele, National Police Commissioner Bheki Cele, Justice Minister Jeff Radebe, National Prosecuting Agency Director Menzi Simelane and National Intelligence Chief Riaz 'Mo' Shaik) but also Finance Minister Pravin Gordhan and Higher Education Minister Blade Nzimande. Meanwhile, on the home front, and as a relatively poor province, KZN receives the second largest share of the national budget, which is sent through procurement and tendering systems often strategically managed and controlled by the African National Congress (ANC). A South African Communist Party youth leader told the *Mail and Guardian* newspaper in July 2011 that '[w]hat is happening in Msunduzi [political protest and attack on the provincial leader's car] is an indication of the patronage within the ANC. The aim is to consolidate strategic government positions to control tenders, with money then flowing to certain people's campaigns for office within the ANC' (cited in Sharife and Cullinan 2011: 26).

Certainly there have been a consistent number of such cases reaching the newspapers in recent years, whereby a company, whether foreign or local, has been reported to have paid a bribe in order to be awarded a tender, by means of a 'donation' to a campaign fund. For example, a recent 'Tendergate' case involved KZN's Member of the Executive Council (MEC) for Economic Development Mike Mabuyakhulu and KZN legislative speaker Peggy Nkonyeni for 'undue' diligence in a tender process. Here a R1 million 'donation' (which is roughly US$100,000) was paid to an ANC official in 2007 by Uruguayan businessman Gaston Savoi for a R44 million government tender for cost-inflated water-purification plants and oxygen machines for the provinces' hospitals (Sharife and Cullinan 2011: 26). Zweli Mkhize, now provincial premier and a personal friend of President Zuma, signed off the deal as MEC for Finance and Economic Development at the time. When the case went to Pietermaritzburg High Court for trial in January 2012, the two most senior accused remained in office within the ANC, Mabuyakhulu as ANC Provincial Executive, and Nkonyeni as Provincial Treasurer of the ANC, and Provincial ANC Secretary Sihle Zikalala called on ANC members to stay 'loyal':

> we are going to continue supporting our comrades because we believe in the principle of innocence until proven guilty . . . It is at tough times like these that we know that victory is certain. What is important now is for all of us to close ranks and not allow anything to divide us
>
> *(IOL 2012)*

He declared the case a test of the party's unity in the province (IOL 2012). This case has twenty-one 'amigos' accused in total involving R144 million (equivalent to over US$14.4 million) in racketeering, fraud and corruption, the bill for which will be borne by the tax-payer (*The Mercury* 2012). The case came to the fore because two business associates of Savoi claimed plea bargains in exchange for the information that they had provided false quotes to the KZN Department of Health in order to justify the inflated price of the tender winner.

Procurement is one node in the actor network of the South African economy, but specific policy instruments that involve a public subsidy, such as empowerment funds for historically disadvantaged persons, or climate finance, or offsetting schemes, all act as dense nodes, attracting patrons, clients and firms. This dense connectivity at the boundary between public and private space in South Africa is illustrated well by the case of the Nkomati Anthracite coalmine in Komatipoort, which temporarily closed operations in May 2012 because it did not have proper licences, had spilled poisonous water into the Nkomati river and killed many animals and trees and thus was in conflict with the local community. What is notable, however, is that its regulatory omissions are despite it being 40 per cent financed by the Mpumalanga provincial government through its (own) parastatal, Mpumalanga Economic Growth Agency (Mega). The majority shareholder is Sentula Mining Limited, which is 51 per cent owned by Cyril Ramaphosa's Shanduka Resources. This latter were contracted the 'operational side', thus excusing the need for public oversight, according to a spokeperson for the Mpumalanga Economic Development, Environment and Tourism Department. The official summarised the regulatory situation thus:

> Nkomati Anthracite mined without DMR [Department of Mineral Resources] authorisation. No approval of the EMP [Environmental Management Plan] was submitted to the department. DMR issued a directive to Nkomati to stop mining until approval was sought. No water-use licence was obtained from water affairs and no environmental authorisation was issued by this department in terms of the NEMA [National Environment Management Act] for EIA [Environmental Impact Assessment] listed activities.
>
> *(Mail and Guardian 2011a)*

The *Mail and Guardian* note that the official would not then comment further because 'it had a direct interest in the mine through its parastatal, Mega' (*Mail and Guardian* 2011a). The situation seems to have gone on for some years, since the company claims to have tried to get a licence three years before the temporary closure.

Climate finance

New green subsidies designed to reduce the tonnage of carbon and other gases contributing to climate change, generically called climate finance, have introduced a new form of rent into the infrastructure, energy and mining sectors, which again has been associated with institutionalised and internalised transfers of money from the public to the private sector. For example, the public effort to reduce carbon emissions, flawed as the policy is in its reliance on markets and cap and trade schemes (Bond et al. 2012), is generating funds that can liquidate processes of privatisation of public subsidy. The logic behind the Kyoto Protocol cap and trade scheme of 1997 is that CERs can be traded in carbon markets, principally in Europe, acting like permits to pollute. Firms who have reached their carbon cap, that is the government-imposed limit on their emissions, can then buy these 'credits' in order to carry on emitting. The supply of CERs, in a properly functioning market, would be scarce relative to the demand for them, thus pushing their price up and acting as an incentive to firms to reduce emissions (or that is the supposed logic). However, for a combination of reasons beyond the scope of this chapter, the carbon markets have not worked well. The EU oversupplied permits at the beginning of the recession, so industry doesn't need any credits, while the supply of them just keeps growing under the Carbon Development Mechanism (CDM) and Reducing

Emissions from Deforestation and Forest Degradation (REDD+), leaving their price languishing and approaching zero (Bond et al. 2012). Indeed, the European Carbon Trading Scheme was recently declared 'dead' by EON CEO Tayssen (Bloomberg 2012). But firms in the South are still fighting to get a slice of the carbon market through CDM accreditation.

In South Africa, the Designated National Authority (DNA) manages South African CDM projects and valuable, tradable CERs under the provision of the Kyoto Protocol. The pattern of successful accreditation is synergistic to well-connected firms such as Omnia, Sasol, PetroSA, South African Breweries, Mondi and the Beatrix Mine. International companies also benefit, despite their healthy balance sheets, such as Denham Capital Management's (US$4.3 billion), who, despite their dirty-energy portfolio and bad reputation, nets hundreds of thousands of lucrative CERs for itself (Hildyard 2012) and PetroSA by investing in BioTherm Energy and MethCap (Hildyard 2012). Indeed, the South African pattern is similar to the position pertaining globally, where many carbon-capture and offset projects are anaemic, or fictional (Böhm and Dabhi 2009).

These examples of large, liquid, profitable firms capturing public subsidies designed to cut pollution and control global warming are not in themselves illegal. However, a foolhardy policy instrument such as cap and trade involves a moral hazard in that it seems to fit the classic definition of corruption, of the private use of public money, on the basis of a sometimes fictional narrative of how large and profitable firms might cut carbon emissions but apparently can't afford to do so of their own accord. This reduces the legitimacy of public policy intended to protect a public good, such as climate, since the general public may view it as a waste of their valuable taxes. We return to this below.

State-enabled corruption

In South Africa, from July to December 2011, there were a surprising number of cases reported in the newspapers where directors of firms appeared to be behaving in a way that was sure to bankrupt the firm which they managed, or for which they had oversight as an equity investor. For example, one bankrupt mining company, Pamodzi Gold, has seemingly numerous management companies, Aurora Empowerment Systems, who themselves are managed by Zondwa Mandela's Kaunda Global Mining Resources, all needing lucrative management fees paid into directors' accounts, to close an already closed mine (*Mail and Guardian* 2011b). Interesting here is also that Pamodzi was bankrupt in October 2009, when Aurora took over. It is unclear whether the new directors were copying the habits of prior owners, but they oversaw a complex firm structure linking the Pamodzi Resources Fund, Harmony Gold (and their joint investment in Rand Uranium), and their foreign partners American Metals and Coal International (AMCI) Capital Fund and First Reserve Corporation.

There is thus a new variant of private-sector corruption that seems to be inspired by directors and CEOs taking no long-term view over the sustainability of the firm that they manage. While some thin capitalisation and bankruptcy can be attributed to poor management, it is the disproportionate extent relative to other countries that suggests some avowed intent to pursue senior remuneration packages that are not sustainable. Related to this problem is the apparent growth in the number of firms which have a very short life, characterised by a start-up catalysed by public subsidy followed by a few years where executive directors are so 'busy' that they need most of the firm's capital in remuneration for management services, cars and assets associated with start-up, such that sustainable investments in plant and equipment are not made, and the firm is declared bankrupt within a few years. Examples here can be

found in the minerals sector and in specific offsets provided for by the arms deals, which were recounted by the *Mail and Guardian*'s Integrity Research Centre. Thus, in the case of the BEE offset projects and firms generated by the submarine deal in South Africa in 1998, there is a pattern of excessive executive 'reward' and subsequent bankruptcy of the firms and projects within a few years, generally after the initial public subsidy has been 'spent'. The *Mail and Guardian* (2011c) reported that the submarine deal, worth R30 billion in 1998, was touted to deliver R110 billion in offset benefits. But by October 2011, four of the six projects had collapsed into insolvency or bankruptcy, and two were stalled.

Offsets, the environment and BEE firms

The widespread use of the language of 'offsetting' is associated with some of the most contentious projects that go ahead in South Africa. For example, in 2010, the Green Scorpions, environmental management inspectors, investigated the Vele mine, owned by Australian-listed Coal of Africa, a mine only 7 kilometres from the Mapungubwe World Heritage Site, for numerous environmental transgressions. The then minster of environment, Buyelwa Sonjica, opposed the mine. But in September 2011 the tough stance was revoked, and the company, the Department of Environmental Affairs and South African National Parks (SANParks) signed an agreement stating the integrity of the World Heritage Site was assured by 'comprehensive biodiversity offset programmes, thereby optimising benefits to local communities' (*Mail and Guardian* 2011d). The company chief executive underscored the change: 'We got new leadership. We went from a junior prospecting company to a full-blown mining company that now has the knowledge and skills to mine Vele in a sustainable way . . . For us, conservation is a natural resource to be used' (*Mail and Guardian* 2011d).

Interesting here is that 'conservation' and 'natural resource' are discrete concepts, in that the former is generally used to designate a value to an area so that it does not become subject to extractive industry (although it can be financialised in part for tourists or species banking), whereas a 'natural resource' is generally some aspect of an environment that it is permitted to exploit. Thus, the sentence makes sense only if the natural resource becomes the conservation, and then talking about conservation becomes something of use to the company. This trick of language makes the 'conservation' the fictitious thing the company does, through its offsetting, despite the fact that the details of offsetting are rarely made known, the proximity of measures to the local communities are not guaranteed and the value of the offset is fictitious and assigned through a calculative device which the firm alone has control over (Çalışkan and Callon 2010; Bracking 2012a).

In mainstream economics, environmental despoliation occurs as an extremality, so that efforts to 'price it in' using environmental economics and other calculative or regulatory systems generically fosters arbitrary prices. What is a culture worth, or a heritage site, a wilderness, or, as in the example above, 'conservation'? There is no clear answer, such that nature-based development becomes a rich ground for corruption because of the need to value offsetting projects and the power of EIAs to make or break firms' plans. When public subsidy is also in the frame, as in CERs, development becomes heavily contested. There is, for example, in the case of the approval of the controversial extension of the N2, a 90-kilometre section of new road between Ndwalane and Ntafufu and between Lusikisiki and the Mthamvuna river which will cut through the Pondoland Centre of Endemism while requiring the construction of nine high-level bridges. There were forty-nine appeals against the road because it transects the amaPondo ancestral land and will have a profound effect on cultural heritage. However, rights and culture have poor value in EIA documents, and the Environment

Minister Edna Molewa approved the road saying only that she was aware of communities who might be significantly affected. She also noted that biodiversity loss would be countered by 'wide-ranging' mitigation measures. Linked to the road is the Xolobeni Mineral Sands Project. John Clarke is quoted as saying, '[t]his road is economically viable only if it is linked to the mine, and vice versa' (*Mail and Guardian* 2011e). But Molewa insisted that they were not related. She countered, 'It cannot be expected of the department of environmental affairs to base decisions on potential future developments [that is the mine] on the information generated by the EIA for the proposed road' (*Mail and Guardian* 2011e). This is a neat avoidance of the intimate relationship between infrastructural goods and mining, particularly given that offshore the ownership of both is much more intimate, often including the joint establishment and investment into private-equity infrastructure funds by mining and construction companies in order to promote their interests simultaneously (Hildyard 2012). For example, African Infrastructure Investment Managers Ltd is a joint venture between Macquarie Africa Pty Ltd, part of the Macquarie Group, and the Old Mutual Investment Group (South Africa) Pty Ltd which invested in Kelvin Power, and through the South Africa Infrastructure Fund, the Bakwena Platinum Corridor Concessionaire (Pty) Ltd, the N3 Toll Concession (Pty) Ltd and Trans African Concessions (Pty) Ltd (Hildyard 2012).

The rogue firms in terms of polluters and tax avoiders are not then purely private necessarily and distant from government regulation but tend instead to be boundary companies on the edge or overlap of the two spaces (see Tillman 2009a; Lasslet 2010). Thus, the corruption surrounding the contract for the lucrative methane to electricity project as Bisasar Road landfill rubbish site in Durban, which was awarded to a company in which the major was a sleeping partner and his daughters were among the directors (City Press 2011). The logical winner would have arguably been an environmental service company who were also engaged in the reduction of tonnage of landfill by sorting household rubbish using a Murph machine, which the tender winner did not have. The amount of waste to landfill rose as a consequence, the Murph was put out of service, as the newcomers increased volumes to landfill (in order to increase methane outputs), since these latter were earning valuable CERs from the Clean Development Mechanism of the Kyoto Protocol. That the scheme to turn methane into electricity from increasing tonnage to landfill can be classified as an environmental good illustrates the fundamental problems of carbon markets for climate justice (Sharife and Bond 2012). But what is generic and common from such examples is the existence of a rent or subsidy from the public sector, which generally has social-welfare intent but is abused and captured due to failing oversight bodies. In the Durban municipality of eThekwini, the Auditor General identified R532 million of 'irregular payments' in 2009 to 2010, which led to the commissioning of the forensic audit report by Manase and Associates (IOL 2013). The Manase report then explored allegations of corruption in eThekwini municipality of R2.1 billion worth of unauthorised expenditure over a three-year period, including the 'sale' of public housing by councillors (City Press 2013), with ten councillors having businesses that did business with the council (IOL 2013).

'Clever corruption': management fees and private-equity firms

This chapter has argued that private-sector corruption must be seen as more than merely public-to-private transfers, but also include both the capturing of public subsidies and transfers uniquely made within the private sector. Inventive use of company relationships and the privatisation of state functions to private management firms have enabled the latter two types. Beginning with the 1980s idea of 'asset stripping', where one firm bought another to dissemble

its assets and potentially bankrupt what was left, a trend of company takeovers has occurred where the longevity and sustainability of the bought-up firm is only secondary to the interests of the hawkish new parent. Indeed, for private-equity funds, the largest profits are often found through investing in a liquid firm with good assets, only to drain it and indebt it to the parent, take management fees besides and then exit, leaving an unstable and vulnerable firm behind (Surowiecki 2012). While it is argued that this strategy can increase efficiency and lower costs such that the firm is sold as a going concern, as the strategy has spread, more corporate wealth has been moved offshore (Palan et al. 2010), with larger levels of debt and bankruptcy recorded onshore (Schechter 2008).

Given that parent companies can use transfer pricing to cause this 'thin capitalisation', and given that management and technical fees are a fairly arbitrary flows, it is quite easy to prey on the future of others, workers and pensions included, particularly using an offshore shell (see *Mail and Guardian* 2011f on the Pamodzi company bankruptcy and subsequent asset-stripping by Aurora Empowerment Systems). This model is also the one that Julius ('JuJu') Malema, former head of the South African ANC Youth League, used with a 'family trust' holding in an outsourced 'programme management unit', a firm called On-Point, which was paid R52 million in management fees from the Limpopo Road and Transport Department, to manage contracts on their behalf. On-Point then allegedly demands to be a silent partner with the company who 'wins', demanding up to 70 per cent of profits in 'management and design fees' (Amabhungane 2011). Although Malema is being investigated, his risk of prosecution is lowered by the complexity of the trust-fund structure in facilitating deniability.

In this example, the act of doing the procurement was itself contracted out, to create a new line of service fees, which compares favourably, in terms of reward, to the more old-fashioned mispriced or inflated tender practices and revolving-door beneficiaries investigated by Manashe. Thus, KwaZulu-Natal legislature speaker Peggy Nkonyeni and Economic Development MEC Mike Mabuyakhulu allegedly took 'only' R1 million in 'donation' from South American businessman Gaston Savoi to the ANC in 2007, allegedly in exchange for a R45 million government tender, itself mispriced and inflated, for hospital equipment (*Mail and Guardian* 2011g). But by modernising corruption and embedding it in service companies, the act of bribery, countered by international law in the US Foreign Corrupt Practices Act of 1977 and the OECD Anti-Bribery Convention of 1997, can be decriminalised, and made potentially more lucrative, in standard mispricing practice.

Institutionalised corporate corruption

As Surowiecki (2012) points out, private-equity funds have been raiding production-based corporations in America for some time. But when such business practices were globalised to include the less developed markets of Africa, they contributed to a net outpouring of wealth and saving, making Africa the world's top capital exporter, contributing close to US$1.4 trillion in illicit financial flows between 1980 and 2009, with South Africa second in volume only to Nigeria (African Development Bank and Global Financial Integrity 2013: 1). These figures attest not only to some regulatory weaknesses but also to corporate expectations of rents and super profits, a hegemonic orthodoxy of trading in 'risky' places, which is itself a doxa that discursively displaces what could have otherwise been understood as simply corporate greed.

Increasingly up to the present, through financialisation, bank-based companies and funds have taken control of investment at the top of phalanxes of underlying portfolio companies, with the former largely offshore and the latter nationally based. This is legal, but the adverse

consequences to the investee companies and societies must prompt a step change in what is defined as private-sector corruption (Bracking 2012b, 2013). This is prompted by the problems of deliberate bankruptcy, excessive remuneration and mispricing, all of which extract from productive business and benefit investors disproportionately relative to other business stakeholders, including workers and communities. Thus, the often high profitability achieved by funds is not solely due to the power of fund managers to pick successful firms, to advise on corporate strategy or provide 'much needed FDI [Foreign Direct Investment], as is argued in the mainstream literature, and which would be partly legitimate. Instead, institutionalised 'new' corruption, as described above, illustrates that what is legal is not always moral, in that private-equity firms are benefiting from others' destruction, investing in deleterious futures and bad outcomes.

I would argue that there is a moral case for regulating against investing in a bad outcome in that such positions are self-seeking and against the common good in a Machiavellian or classical republican tradition (Skinner 1999). Thus, taking a futures position on the collapse of a currency would not be allowed, or stripping a firm of its public subsidy or pension funds, falsely indebting one's position, mispricing the remaining profits to another entity and then declaring bankruptcy (see *Mail and Guardian* 2011f) would be criminal behaviour. With adequate legal capacity, and the requisite corporate law, these could be prosecutable.

A new definition of private-sector corruption

In the recent past, anti-corruption policy designed to stem private-sector corruption has focused near exclusively on the boundary type of payments by firms to public servants. Thus, the prominent Extractive Industries Transparency Initiative (EITI), and similar transparency initiatives in forestry and fisheries, have isolated transparency as the key issue and then focused on revenue streams. However, the relative failure of the EITI as a policy intervention (see Kolstad and Wiig 2008; Bracking 2009) is because it was designed using the limited, conventional definition of corruption – as a transaction between the firm and public sector involving a bribe – such that wider issues of corporate malpractices are not included in its scope. A new definition of private-sector corruption requires a normative foundation, and because this opens up the problem of relativity, that is 'whose morality?', for the purposes of this paper, I elect democratic mediating values as that foundation, which would include transparency, accountability and responsiveness to the public (see Beetham et al. 2002). New principles to underlie corporate and financial regulation need to make corporate executives 'good' in the sense Machiavelli intended: that it is 'only laws that make men good' (Skinner 1999: 170), not to entirely disrupt the competitive nature of markets but to frame greed in a conditioning way that delimits its worst excesses.

Traditionally, the broad schools of economics have treated 'greed' differently, both acknowledging it but with asymmetrical views of its normativity. Thus, heterodox economics, and particularly Marxist economics, argues that greed motivates accumulation under capitalism (which is not a good thing), while classical economics also sees self-interest as central, in the model of *homo economicus*, where individual greed serves the common good via the 'invisible hand' of markets. However, both traditions may be flawed, in that this expectation of greed is both not always empirically in evidence, nor is it inevitable (Hay 2004). What is perhaps surprising is that a constructivist approach to theorising the normativity of self-interest is rarely engaged with in work on corruption, since this would be central to exploring how even within firms, the owner or manager, and the social institution of the firm have different personalities, legal and otherwise. It is the interests of the firm as social institution

that should be raised over and above its managers and even its owners as a prerequisite for expanding the definition of private-sector corruption to include corporate behaviour in contravention of the public good (explored for a policy audience in Bracking 2013).

Some readers might be uncomfortable about redesigning economic morality, but I would counter that there has been reams written about the global economy since the 2008 crash which take the form of backward-facing critique. But there has been comparatively little penned about how to design a future economy that would be better, and about how to take us there. After all, our political regimes have constitutions to lay down their foundational mediating values and principles: so should our economies.

Conclusion

This chapter has redefined what private-sector corruption is in a broader way than merely consisting of traditional bribes and facilitation payments, to include corporate behaviour that privileges the interests of owners and managers of firms above the public good, expressed as firm sustainability and foundationally embedded in democratic values and rights. It has argued that the problem with private-sector corruption is that neo-liberal orthodoxy and (lack of) regulation has allowed corporate actors to systematically organise the firm, and the markets in which it operates, in a way that transfers undue resources from the public to the private sector. Neo-liberalism, as discourse, then also simultaneously legitimises these transfers to large swathes of policy-makers and citizens as inevitable and desirable (see Ferguson 2009). But here, and in the context of global financialisation, it has been argued that intra-firm practices of illicit payments, trade mispricing and excessive management service fees should be viewed and framed as forms of private-sector corruption. In sum, there are now three general domains of private-sector corruption: these purely corporate practices; boundary corruption in the frontier between the private and public sector existing largely as bribery; and then collectivised and institutionally rendered corruption including the privatisation of public subsidies through regulatory capture by fragmented, hybrid constructions of the fictional firm, these latter facilitated by private-equity funds, special purpose vehicles and other related fictional companies in tax havens. Together these make up the package of behaviours we can define as modern institutionalised corruption in the private sector.

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17

INSTITUTIONAL DESIGN AND ANTI-CORRUPTION IN MAINLAND CHINA

Melanie Manion

In 1980, communist revolutionary veteran Chen Yun, second only to Deng Xiaoping in status, characterised the problem of corruption as 'a matter of life and death' for the Chinese communist party. Other Chinese leaders acknowledged corruption as more serious than at any time since 1949, when the communists won power on the mainland in a protracted civil war. Yet, despite an anti-corruption effort that now extends back several decades, includes more campaigns than found anywhere else in the world and metes out the death penalty to corrupt officials, experts agree that corruption in China remains widespread and serious (Deng et al. 2010; Manion 2004; Shieh 2005; Wedeman 2004, 2005, 2012). Indeed, as best we can tell, corruption seems to have increased in incidence, scope and severity since 1980.[1] Compared to the past, it involves higher stakes and implicates a greater number of higher-level officials.

Some specific forms of corruption today differ from those most prevalent in the 1980s and 1990s, mainly reflecting changes in the economic environment. For example, corruption in the 1980s was dominated by opportunities for speculation created by the two-track pricing system, as China transitioned from a planned economy to one with a major role for market mechanisms (Fan and Grossman 2000). In the 1990s, state-owned enterprises, which had gained more autonomy from central ministries and local governments, drove up the number and size of bribes as they competed for capital, supplies, markets and public project bids (Gong 1997, 2006). Bribery and embezzlement remain common forms of corruption (Li 2011), and corrupt syndicates have not disappeared, but newer challenges are posed by increases in the buying and selling of public offices (Zhu 2008) and rent-seeking in local-government land-leasing. These trends in themselves reflect a serious threat to communist party rule.

This chapter focuses not on corruption per se but rather on China's anti-corruption strategy and institutions, focusing on change and continuity. The first section briefly introduces the political context for China's current anti-corruption effort. The second section describes key Chinese anti-corruption institutions and their design flaws, which prompt sporadic corrective anti-corruption campaigns to intensify enforcement. The third section focuses on the tinkering with anti-corruption institutions in 2002–5 to address the design flaws inhibiting effective monitoring. The fourth section introduces the significantly more important turn to a new strategy in the Chinese anti-corruption effort, namely, a focus on prevention by changing the incentives that structure corrupt activities. The concluding

section considers issues of constitutional design, including prospects for public supervision of officials through the Internet.

Political context

Corruption exploded in China in the 1980s as the unintended outcome of post–Mao domestic economic reform and opening to foreign trade and investment (see Gong 1994; Ostergaard 1986). Although corruption certainly flourished in the Maoist era, the 1980s saw 'a fantastic increase' (Zafanolli 1988) in abuses, as well as the emergence and growth of new forms of corruption. In standard economic analyses, there is a robust negative relationship between corruption and growth overall (see, e.g., Mauro 1995). As Wedeman (2012) shows, however, China presents a paradoxical case of both rapid growth and rapidly increasing corruption. Economic decentralisation was an especially important catalyst of both corruption and economic growth: on the one hand, decentralisation of powers over finances, resource allocation and investment decisions gave local officials a bigger stake in the local economy; on the other hand, decentralisation also increased the number of officials with monopoly discretionary power (Oi 1989; Wang 1995; Baum and Shevchenko 1999). Local officials were no longer so constrained as agents of higher levels in processes designed at higher levels. Instead, local economic growth became the main standard to evaluate performance, and the means to attain growth typically prompted censure only in cases of significant political or economic crisis. At the same time, this created a constant tension between the importance of unleashing entrepreneurial initiative on the one hand and controlling the growth of corruption on the other.

Quite apart from the direct impact of economic policies, the official rejection of Maoist egalitarianism in late 1978 transformed the normative environment and blurred the lines between legitimate and illegitimate economic activity. It also had implications for the policy instruments available for anti-corruption interventions. After formally rejecting Maoist radicalism in favour of a policy that embraced allowing some to 'get rich first', it is more difficult than before for leaders of the Communist Party–state to define clearly their expectations of moral conduct for public officials, even though most officials are also Communist Party members. It is much more difficult to rely on moral suasion to convince officials to do the right thing (He 2000; Ostergaard 1986; Ostergaard and Petersen 1991).

Anti-corruption institutions

China remains politically a single-party authoritarian state, in which a hierarchically organised Leninist-type Communist Party monopolises organised politics. The hierarchy stretches downward geographically from provinces, to municipalities, to counties, to townships. At each of these levels, as at the centre of power, an executive communist party committee rules, parallel to a government. Executive party committees are found in individual workplaces (e.g., schools, factories, government departments) too. Communist party members can be found across all occupations, but practically all public officials are party members. The lynchpin of communist party control over public officials is the nomenklatura system by which a communist party committee controls appointment or promotion to every position of importance (see Burns 1989, 1994; Lam and Chan 1996; and Manion 1985).

The institutional framework for combatting corruption emerged in the late 1970s, as part of the official repudiation of Mao-era institutional nihilism. The two most important
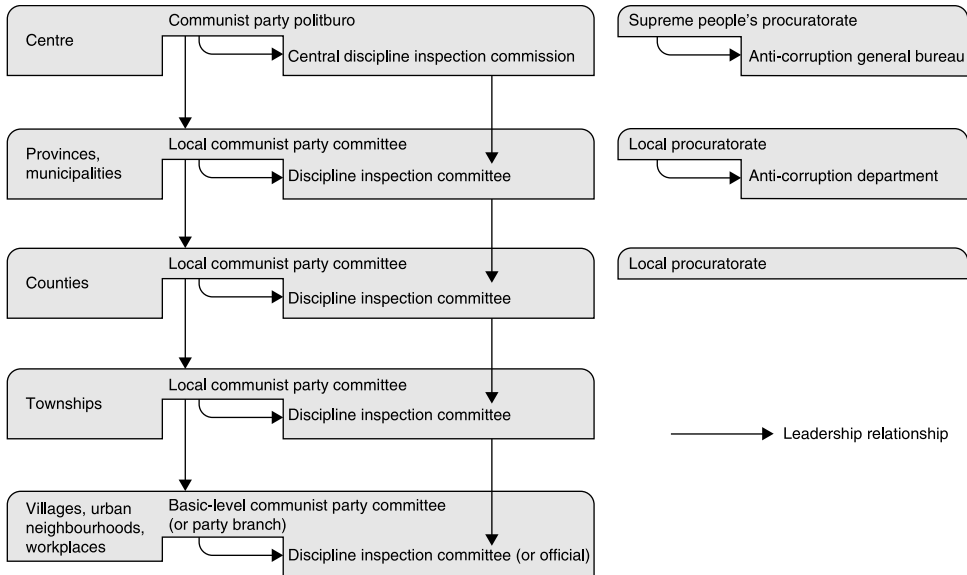
Figure 17.1 The Structure of anti-corruption institutions

anti-corruption institutions reflect the distinctive parallel hierarchical system of governance, described above: communist party committees function alongside governments, each with their own set of specialised anti-corruption agencies.[2] These are shown in Figure 17.1, which illustrates the anti-corruption institutions described below.

Communist party discipline inspection committees (DICs) are the specialised anti-corruption agencies that function under the leadership of communist party committees, from the Central Discipline Inspection Commission (CDIC) at the party centre in Beijing, down the geographic hierarchy of provinces, municipalities, counties and townships. DICs are also set up in individual workplaces, basically anywhere a communist party committee is found. DICs enforce 'organisational discipline' within the party, among communist party members. They make rules, conduct investigations, impose penalties and engage in moral and ideological education. The substantive content of organisational discipline is based on requirements in the communist party constitution and stipulated in the 1980 Rules on Inner-Party Political Life. These documents give DICs the authority to investigate complaints against communist party members for a wide range of misconduct, well beyond political or ideological disobedience. Any violation of law is, *ipso facto*, a violation of organisational discipline, but party disciplinary requirements are written to hold communist party members to a higher standard of conduct than that prescribed by law. For example, the party rules prohibit moral misconduct such as visiting prostitutes, looking at pornographic material and sponsoring extravagant wedding celebrations. The most important and elaborately specified category of 'inappropriate conduct', however, is economic misconduct, which includes corruption. Party committees mete out a range of disciplinary penalties on the basis of investigation and recommendation by DICs. The most severe is expulsion from the party. Other penalties, in order of increasing severity, are warning, serious warning, dismissal from party offices and probation within the party, which makes party membership provisional on observed good behaviour for some specified period of time.

Anti-corruption departments in procuratorates are the criminal justice counterparts to DICs. At the centre is the Anti-corruption Bureau of the Supreme People's Procuratorate (SPP). Anti-corruption departments exist at each level of the geographic hierarchy of procuratorates, but not in individual workplaces. The Chinese police investigate ordinary crimes, but procuratorates have exclusive authority to investigate all crimes involving officials and specifically criminal corruption, a crime that, by legal definition, is only committed by officials. Yet, as most officials are communist party members, the anti-corruption jurisdictional competence of procuratorates is effectively a subset of that of DICs. The relationship between DICs and procuratorates on the one hand and DICs and communist party committees on the other hand is at the crux of the essentially flawed anti-corruption institutional framework in China (Manion 2004).

First, both DICs and procuratorates conduct investigations in response to reports. The greater jurisdictional breadth and more widespread placement of DICs gives them first-move advantage over procuratorates in investigations of activities that may ultimately turn out to rise to the level of criminal corruption. Strictly, DICs do not conduct criminal investigations; this is the purview of anti-corruption departments in procuratorates. However, the jurisdictional competence of DICs gives them authority to investigate complaints about all sorts of irregular activities. In their investigations, DICs at and above the county level are authorised to interrogate officials under conditions of informal, compulsory and extra-legal detention while they conduct investigations. DICs are supposed to transfer cases over to the anti-corruption departments in local procuratorates if and when they discover a violation constitutes a crime. In practice, however, a significant proportion of criminal corruption cases are not transferred to the criminal-justice system. Instead, violators are punished with party penalties (Manion 2004). Criminal punishments for corruption include the death penalty. Actual executions for criminal corruption are now fairly rare, and the death penalty for such acts has become controversial (Zhang 2009), mainly because it protects from extradition the increasing number of corrupt officials who flee the country, but a death sentence commuted to life imprisonment or a long prison sentence is by no means a rare criminal punishment for corruption. The first-move advantage of DICs results in a double standard but not a higher standard for party-member officials: corrupt officials are protected, with milder party penalties substituting for harsher criminal punishments.

Why do DICs appropriate cases of criminal corruption rather than transferring them over to procuratorates? The answer has mostly to do with leaders of party committees, who must sign off on such a transfer. Certainly, corrupt party secretaries will obstruct such a transfer, to protect their network. Even where party committee leaders are not themselves concerned about exposure of their corrupt activities, however, their normal career concerns lead them to handle such problems internally rather than communicate more broadly the seriousness of corruption in their scope of governance. Party committees are generalist organisations, evaluated for their performance on a number of different dimensions, of which corruption control is only one. Since the beginning of the 1980s, the most important way for local leaders to get along and ahead is successful economic performance. Corruption is also more difficult to measure than the achievement of most economic targets. Even without protectionist influences, then, party committees do not have strong incentives to transfer cases of corruption over to the criminal-justice system. For workplace party committees, another consideration is cost: not only does exposure of corruption sully the reputation of the workplace but workplaces are usually required to subsidise investigations by resource-poor procuratorates. As this discussion suggests, a decision about whether a case constitutes a simple violation of party discipline or a crime of corruption is essentially a political decision, which leaders of party committees make.

A second institutional relationship also poses problems for effective anti-corruption efforts. DICs are under the dual leadership of the party committee at the same level and the DIC one level up. For example, a municipal DIC is under the leadership of both the relevant municipal party committee and the relevant provincial party committee. In practice, the most important relationship is leadership by the communist party committee, not the superior DIC. For one thing, the parallel party committee has nomenklatura authority over the DIC as well as the procuratorate, appointing leaders of both. DIC heads are also normally deputy secretaries in the party committee and thereby part of the collective leadership in the locality or workplace. An important consequence is that DICs are effectively unable to monitor party committee leaders, who wield broad executive powers at every level of the state hierarchy (Gong 2008a).

These flaws of institutional design are at the core of serious failures in anti-corruption enforcement. Leaders at the top of the party–state in Beijing periodically react to such failures by disrupting routine with anti-corruption campaigns (He 2000; Manion 2004; Quade 2007; Wedeman 2005). These campaigns are short bursts of intensive anti-corruption enforcement, set in motion by new party instructions. Two key features define an anti-corruption campaign: (1) an escalation of anti-corruption publicity, including publicity that encourages ordinary citizens to report corrupt acts and encourages corrupt officials to confess their crimes and rat on accomplices, and (2) new demands for greatly increased criminal enforcement, essentially requiring party committees to transfer more cases from DICs to the criminal-justice system and handling by procuratorates. Some anti-corruption campaigns have been instigated by the discovery of a particularly serious case. For example, a serious smuggling case in Guangdong province in the early 1980s catalysed the 1982 anti-corruption campaign. More than a decade later, Beijing's deputy mayor committed suicide in the course of a DIC investigation into real-estate corruption involving the Beijing party leader, a Politburo member – prompting an anti-corruption campaign in 1995. Other anti-corruption campaigns are reactions to a public outcry that calls regime legitimacy into question. For example, corruption was a major complaint in the spring 1989 protest. China's leaders responded in August 1989 with the biggest anti-corruption campaign in China's history. Anti-corruption campaigns often include a clemency period, which subjects corrupt officials to pressure to confess so as to earn leniency and to avoid a greater likelihood of discovery and higher punishment if discovered later.

Outcomes observed in anti-corruption campaigns are reporting peaks, confession peaks and enforcement peaks (Manion 2004). In the 1989 campaign, for example, a huge number of officials took advantage of the opportunity to surrender, confess and cooperate with authorities in exchange for clemency. More than 36,000 people surrendered to procuratorates during the one-month clemency period. About one-half of those who surrendered did so in the last ten days of the clemency period. Additionally, more than 9,000 people already in prison confessed to new economic crimes. Clemency period incentives appealed most to high-ranking officials or officials guilty of crimes involving big sums.

Without routine and campaign anti-corruption enforcement, it is quite plausible that corruption in China would present a more serious problem. At the same time, it does not seem that anti-corruption enforcement effectively deterred corruption. For example, half of the cases investigated in 1990, the year after China's biggest anti-corruption campaign, were crimes committed after the campaign's clemency period. Throughout the 1990s, by the various measures that Chinese and Western scholars use to assess actual (as opposed to merely revealed or perceived) corruption, corruption continued to grow.[3] A very high percentage of cases investigated in any given year involved activities also committed in that year. It is not

even clear that anti-corruption campaigns effectively bolstered regime legitimacy, which Holmes (1993) considers their real goal. Corruption remains at or near the top of urgent problems found in Chinese public-opinion polls over the past few decades, since such polls have been conducted. Moreover, the peaks of corruption reporting in campaign years suggest that ordinary citizens view the campaigns as unique opportunities when the regime can be counted on to take action that matches its anti-corruption rhetoric.

Institutional change and continuity

In the past decade or so, China's leaders have begun to address one of the two major design flaws in anti-corruption institutions, namely the subordination of DICs to party committees (see Gong 2008a, 2008b), which makes monitoring of party leaders practically impossible. Efforts to correct this flaw include the following four measures, taken in 2002–5.

First, since 2002, the CDIC is the coordinator of all anti-corruption efforts. This change strengthens centralisation in the vertical hierarchy and strengthens the communist party vis-à-vis the government in anti-corruption. Second, beginning in 2003, the CDIC has regularly dispatched large ad hoc anti-corruption teams to various localities throughout the country to bypass local party committees and investigate suspected corruption. For example, in summer 2003, it sent five teams led by retired ministerial-level officials who reported directly to the CDIC, with their work exempt from intervention of local party committees and with the authority to convene meetings, interview people and examine any relevant documents to investigate corruption. The ad hoc investigatory teams also play a major role in deciding the fate of local corrupt officials. Third, in 2004, Beijing placed the DICs in all central government agencies under the direct control of the CDIC, removing them from dual leadership. Communist party committees in these government agencies no longer are consulted about appointments of DIC chiefs. Finally, in 2005, top party leaders gave the CDIC authority to appoint DIC chiefs for Beijing, Shanghai, Tianjin and Chongqing, China's four mega-cities. In addition, leaders stipulated that provincial DIC chiefs cannot be natives of the province to which they are appointed.

The measures described above do not create DIC autonomy from party committees. Rather, they create greater centralisation of anti-corruption work under the CDIC, which is itself under party leadership at the top of the party hierarchy. In this, China's leaders continue to reject any suggestion of an independent anti-corruption agency model, such as the Hong Kong Independent Commission Against Corruption (ICAC), for example. Moreover, although some effort has been made to improve coordination between DICs and procurator-ates, the system of two parallel anti-corruption agencies remains intact. These continuities in anti-corruption institutions reflect an affirmation of Leninist governance structures more broadly. That is, despite major economic decentralisation and liberalisation, reform of the political system, including anti-corruption institutions, has been quite limited. I return to this theme in the concluding section of the chapter.

The turn to institutional design in anti-corruption strategy

Up until recently, China's anti-corruption strategy has mainly alternated between routine anti-corruption enforcement and intensive campaigns in response to urgent corruption crises. Both are properly categorised as enforcement strategies. Similarly, the tinkering with institutional relationships described in the previous section essentially constitutes an effort to improve enforcement.

More recently, however, Chinese leaders have begun to recognise fighting corruption as a long-term task, not a series of battles. Their new strategy gives priority to education, enforcement and especially prevention. Corruption prevention is the new element in this strategy. A possible signal of the change is the creation in 2007 of a National Corruption Prevention Bureau (see Becker 2008), within the Ministry of Supervision. Its stated function is to collect information relevant to corruption prevention, coordinate information-sharing across anti-corruption agencies and engage in anti-corruption enforcement in non–governmental spheres.[4] More important is a 2005 party document elaborating a commitment to the change (summarised in Xinhua 17 January 2005).

This new institutional turn recognises the need to change the incentives that structure corrupt activities. This differs fundamentally from issuing rules and prohibitions. It targets corruption-generating procedures and opportunities. Essentially, both routine and campaign anti-corruption efforts in China are properly categorised as enforcement approaches to reducing corruption. Policy interventions that rely on enforcement but leave unchanged the basic conditions that encourage corruption are unlikely to yield lasting results, however. The 2005 turn to institutional design is different from the reorganisation of anti-corruption institutions described in the previous section. Rather, an institutional design approach restructures transactions to lessen incentives and opportunities to transact corruptly. In general terms, the most drastic institutional design change is wholesale elimination of programmes with no sound policy justification that operate mainly to generate bribes (Rose-Ackerman 1999), such as the many licences and permissions to set up businesses (Leff 1964; Bates 1981). Less radical measures include the 'competitive' reorganisation of bureaucracies so that officials lack monopoly power in the supply of particular government services (Rose-Ackerman 1978, 1999; Shleifer and Vishny 1993). Perhaps the best example of an institutional design approach to corruption control is the work of the Hong Kong ICAC Corruption Prevention Department (Manion 2004). Although leaders in Beijing and the provinces reject the idea of an independent anti-corruption agency, they have actively learned about corruption prevention through institutional design from the ICAC.

Specific examples reflecting the turn to institutional design are many. Measures are not always effective, and implementation remains uneven. Nonetheless, the turn is extremely important for the Chinese anti-corruption effort. Even small measures can have big impacts. I present some examples of the new approach below.

First, in probably the most important such initiative, central government departments have abolished or reduced over 2,000 approval requirements in bureaucratic processes. Local governments have abolished or reduced over 77,000 approval requirements in such processes. These two numbers add up to over half of the approvals required before 2002. Second, middle-ranking officials must now declare their income, and high-ranking officials must declare their income and family assets, although this information is typically not in the public domain. Some local governments have introduced stringent implementation of disclosure of assets, open to the public and enforced through surveys of co-workers. Third, DICs now have a key role in vetting officials for appointment or promotion to offices of leadership, with clean governance issues themselves a basis for failure to promote. Since 2005, DICs also conduct checks on leading officials every half-year. Fourth, to promote the use of real names in banking, the People's Bank of China, under mandate from the central government, introduced in mid-2007 a system that allows (and also requires) banks to access the Ministry of Public Security database to verify the authenticity of identity cards used to open or change bank accounts or conduct other major financial transactions. Finally, a 2007 tax law ended low tax rates for foreign-invested firms, instead putting domestic and foreign firms on the

same tax basis. The law also recentralised central government authority to approve tax incentives, taking away local government power to seek rents by providing tax benefits.

Anti-corruption reform through changes in constitutional design

Increasingly, the usual response to corruption throughout the world has been to create specialised anti-corruption agencies. Meagher (2005) counts hundreds of specialised anti-corruption agencies established in recent decades, most of which he judges quite ineffective, even positively harmful to the anti-corruption effort as they promote public cynicism. There is broad agreement in the literature that agency credibility is a necessary (albeit insufficient) condition for anti-corruption effectiveness, especially to encourage reporting of corruption. What design features make anti-corruption agencies credible?

A sizeable literature in political science and political economy elaborates how the credibility problem is solved by self-enforcing designs (North and Weingast 1989; Root 1989; Schelling 1960) that bind the ruler to her commitment by structuring incentives to make adherence to the bargain after the fact preferable to reneging for the ruler, thereby ruling out this latter option. What do such self-enforcing designs look like? One category is liberal democratic institutions that hold leaders accountable in regular elections (Barro 1973; Ferejohn 1986) or facilitate collective action when rulers ignore the proper limits of the state (Fearon 2006; Grief et al. 1994). A more recent literature, most of it expressed in formal mathematical models, asks about credible commitment mechanisms in authoritarian systems. One branch of this literature considers the role of a large elite group able to take collective action to constrain rulers who renege on bargains (Bueno de Mesquita and Root 2000; Bueno de Mesquita et al. 2003; Haber 2006). Another branch of this literature focuses on the role of monitoring and information (Boix and Svolik 2008; Gehlbach and Keefer 2011). Of course, widespread corruption implies the problem inheres at least partly in the elite group itself. In systems that are not liberal democracies, then, the theoretical literature suggests we focus our attention on the role of monitoring and information to 'tie the hands' of the ruler to her promises to contributors.

One implication of this literature for corruption control in China is monitoring by an empowered, investigative, free mass media and an engaged, electronically linked-up mass public. Controls over the mass media, exercised at the top by the Communist Party Publicity Department and the State Council Information Office, are among the strictest in the world. Even after some relation of media controls in the 1990s, certain topics remain taboo (Shirk 2011). Reports of corruption are permissible, but only of local corruption, not of at the national level. As to monitoring by netizens, China maintains the most sophisticated and extensive system for internet censorship in the world. Nonetheless, in its December 2010 White Paper on China's Efforts to Combat Corruption and Build a Clean Government, China's leaders officially welcomed public supervision of officials through the Internet. Anecdotally, in the past year or two, netizens have exposed excesses of official conspicuous consumption (e.g., by posting photos of extravagant wristwatches on the wrists of officials without the obvious means to purchase them), and officials have even lost their jobs as a result. Yet, judging from recent experience, this sort of exposure and official response will almost certainly be limited to local (not national) and individual (not systemic) cases.

Official recognition of flaws in anti-corruption institutions and an institutional design turn towards restructuring incentives to prevent corruption constitute important shifts that are likely to produce better results. They are not changes in constitutional design. For example, they are not the same as electoral reform to hold high-level officials accountable to

ordinary Chinese voters. In the once-per-decade major leadership transition in October 2012, both the outgoing and the incoming communist party leaders sounded the alarm again about the threat of corruption to the survival of the regime. Barring an economic crisis, the prospects for a political reform that denies the communist party its monopoly on organised political power are small. Nonetheless, progress in institutional design can be expected to continue. Internet supervision over corrupt officials cannot be easily contained, but the extent to which the party will fully embrace it remains at best unclear.

Notes

1 For some innovative strategies to measure Chinese corruption, see Guo (2008) and Wang (2010).
2 In addition to the anti-corruption agencies of the party and procuratorate described here, a Ministry of Supervision and subordinate agencies are responsible for supervising good governance in policy processes in central government departments. Since 1993, however, the ministry itself has been merged with the Communist Party Central Discipline Inspection Commission. A second agency not discussed in this chapter is the China National Audit Office, with responsibility to audit any organisation or person receiving government funds or sharing funds with a central or local government. It is not specifically an anti-corruption agency, but it conducts annual audits of government departments and state institutions, with results that often prompt investigations into corrupt activities.
3 It is difficult to quantify the actual magnitude of corruption, but we can substantiate its growth. For example, looking at criminal corruption enforcement statistics, which underreport corruption and are a conservative estimate, cases filed and investigated increased in the 1980s and 1990s, even when we normalise for enforcement changes in anti-corruption campaigns (see Manion 2004, 85–93).
4 Its presence in the private sector is practically non-existent, however. It is too early to know whether the bureau does more than fulfil China's treaty obligations under the United Nations Convention against Corruption.

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18

THE POLITICAL ECONOMY OF CONFLICTS OF INTEREST IN AN ERA OF PUBLIC–PRIVATE GOVERNANCE

Staffan Andersson and Frank Anechiarico

Introduction

 'Sin without sinners, crime without criminals, guilt without culprits! Responsibility for the outcome is, so to speak, floating, nowhere finding its natural haven' (Bauman 1993: 18).

As the public and private sectors have become increasingly interdependent, identifying those responsible for public policy has become difficult, as has maintaining the distinction between public and private interests. Private-sector provision of military security, for example, has turned issues that were until quite recently matters of sovereign authority into elements of corporate accounting.

Conflict of interest has a direct impact on administrative ethics, public trust in administrative procedures and securing effective administration; how it is dealt with is thus a fundamental issue for public administration and democratic government. How we define, identify and deal with conflicts of interest has implications for corruption risks and trust in government and its institutions, which, in turn, has democratic as well as economic consequences.

The way conflicts of interest manifest themselves is affected by changes in the political economy. As government organisation itself changes with, for example, new forms of partnership with the private sector, conflicts of interest take new forms. And, indeed, substantial changes in the political economy have taken place over the past twenty years or so, with the Organisation for Economic Co-operation and Development (OECD) noting that the increasingly close relationship between the public and private or non-profit sectors cause many conflicts of interest (OECD 2003: 91; 2005a: 8).

Here we will consider how two major shifts in the political economy of OECD countries – large-scale government outsourcing (OECD 2009: 7, 12) and the increased importance of the financial sector – have affected the nature and extent of conflicts of interest. We argue that these political economic changes imply a reconstitution of the state which implicitly redefines public integrity and its relationship to democratic legitimacy. We therefore need to study not just individual responsibility (and culpability) but also how organisational and systemic relationships in the political economy might actually

create conflicts-of-interest that are very difficult to handle by regulating the behaviour of individual officials. Conflicts of interest must be analysed at several levels, including organisational and systemic, in order to understand their impact on government ethics and democracy.[1]

There is no clear methodology for assessing whether the nature and extent of interest conflicts have changed. However, two key factors are researchable. First is the legal definition of conflicts of interest and, second, the effort made by regulators, investigators and prosecutors to find and punish violators. A focus on these two factors makes the political construction of interest conflicts clear. The intersection of the public and private lives of public officials has been scrutinised and criminalised in a variety of ways since the advent of a non-partisan civil service in Britain and France in the eighteenth century and the USA in the late nineteenth century.

We will first review the ways that conflict of interest have been studied and defined before widening the perspective from the individual to include institutional and systemic levels. Then we turn to the current regulation and pursuit of interest conflicts in Sweden and the USA, two countries that are at the forefront of the political economic changes considered here. We thus illustrate trends concerning the regulation of conflicts that are related to shifts in political economy. In the penultimate section, we provide three major cases that illustrate the levels of conflict of interest in relation to public–private governance. Lastly, we conclude by discussing our argument in light of our empirical findings.

Conflict of interest

Despite the importance of conflict of interest for democratic governance and the legitimacy of public administration, the topic has received relatively little attention in the literature. But in recent years the significance of the issue has become more apparent. Major scandals in the USA and Europe have increased calls for better and stricter regulations as both an antidote and as a way of avoiding improprieties in government. The international trend is that more countries are introducing rules requiring public officers to disclose potential conflicts (OECD 2010). And, indeed, regulations of ethics are most often a response to major scandals. Since the 1970s a wave of reforms in the USA have concerned ethics, conflict of interest and the regulation of gifts to public employees, their financial interests, extra-occupational activities and post-government employment activities (Clark 2001: 58).

In line with increased societal interest in these issues, recent literature in the field has increasingly covered conflict of interest and especially its prevention and regulation in various countries (e.g., Demmke et al. 2007; Trost and Gash 2008). One strand has studied the evolution of conflict statutes, including the relationship between scandals and conflict-of-interest regulations and how the regulation is shaped by the various type of scandals that public officials have been involved in in a particular country. Another research strand studies the nature of conflicts of interest, how they are defined in various settings and how their conceptualisation is related to the organisation and effectiveness of regulation (Trost and Gash 2008: 5). How to deal with conflicts of interest, whether rules or standards are the best approach (or what mix of them) is thus actively debated in many democracies and among scholars. This mix (of rules and standards) differs between countries and between sectors and professions (e.g., Trost and Gash 2008: 13). In the words of Guzzetta (2008: 25–6), different legal systems deal with conflicts in different ways and the tools at hand are legal regulation (including definition, sanctions, enforcement, and justiciability), soft law (e.g., rules of conduct) and abstaining from regulation of conflicts (only relying on extra-legal matters such as the

political accountability of legislators or elected executive officers). Questions raised in the literature concern whether regulation is overly legalistic, whether statutes are too far-reaching and how regulation might be reformed to match specific standards and allow for self-restraint, as well as how conflict of interest regulation affects administrative effectiveness (Anechiarico and Jacobs 1996; Trost and Gash 2008: 5).

The connection between conflicts of interest and corruption

In broad terms, conflicts of interest involve officials having an interest that could influence how they carry out their duties, while corruption concerns the abuse of trust or power for personal or other non-public benefit. Thus, conflict of interest and corruption are closely linked and may overlap, although they are not always the same. The potential for various types of corruption – favouritism in hiring and procurement, kickbacks, extortion and bribery – that is inherent in conflicts of interest is generally considered reason enough to prohibit such conflicts, without the need for evidence of specific misconduct.

As noted, bribery, contract kickbacks and embezzlement of public funds are examples of rough conflict-of-interest violations where personal interests have been followed in breach of the public trust (Willbern 2001: 118). Carson (1994: 389) judges bribery as a special case. To be bribed is to be paid to do things that are incompatible with the rules or duties of one's office, position or role. The recipient's personal financial interest in accepting the bribery payments thus creates a conflict of interest. This is, perhaps, an overly broad use of the idea of interest conflicts, but it serves to illustrate the fundamental importance of understanding and defining public trust and separating and safeguarding it from personal utility.

Other conflict-of-interest situations are vaguer and may not violate laws (Willbern 2001: 119), and, as already noted, it is clear that not all conflicts of interest are tantamount to corruption. Using a legal perspective, incompatible private interests (in themselves) and post-employment violations, for instance, differ from corruption, and there may even be cases where non-declared conflicts of interest are no cause for suspecting corruption. Thus, corruption and interest incompatibility are regulated separately and in different parts of the criminal code in modem legal systems (Kjellberg 1995: 341).

However, what is important here is that conflict of interest and corruption are often, if not always, linked (see Kjellberg 1995: 357): how we deal with conflict between officials' private interests and their public duties has a direct effect on how we control corruption (see OECD 2005a: 96). Conflicts of interest may become the basis of political indifference or animosity, and, ultimately, a loss of trust in institutions and a decline in government effectiveness. The stakes are high.

On the levels of conflicts of interest

Conflict-of-interest situations arise from a divergence between what should influence a public official's decision and what does (Getman and Karlan 2008: 56). Conventionally, conflict of interest is defined as 'a conflict between one's obligation to the public good and one's self-interest, as in the case of a public office-holder who owns stock in a company seeking government contracts' (*Webster's New World College Dictionary*, 2010). According to the standard view of conflict of interest, any relationship or commitment to another party with an interest in a matter that the official is involved in handling might constitute a conflict.

Davis (2001: 8) refers to conflict of interest as a situation where P (an individual or corporate body) stands in a certain relation to one or more decisions. 'P has a conflict of interest if, and only if, (1) P is in a relationship with another requiring P to exercise judgement in the others behalf and (2) P has a (special) interest tending to interfere with the proper exercise of judgement in that relationship.'

Using another example, the *OECD* (2005a: 13) defines conflict of interest in the public sector as 'a conflict between the public duty and the private interest of a public official, in which the official's private-capacity interest could improperly influence the performance of their official duties and responsibilities.' A more specific definition comes from looking at how conflict of interest is regulated. Gibbons (2011) concludes that guidelines or legal codes should specify that politicians or public servants 'avoid behavior which places their private interest ahead of the public interest'. This typically concerns decisions where they have financial interests, avoiding giving preferential treatment, refusing gifts or benefits and avoiding post-employment that takes improper advantage of the previous position.

Ethical problems associated with conflict of interest in the public service are multifaceted and very difficult. The common assumption is that it is the moral duty of an official or employee of a government unit to pursue the public interest. Personal interests and those of partial publics to which he or she may belong are to be subordinated if and when they differ from the more general public interest (Willbern 2001: 118).

According to Willbern (2001: 118), cruder conflict-of-interest transgressions fit into the obligation to respect the property of others and conform to the law. Embezzlement of public funds, bribery and contract kickbacks are all manifestations of personal interests being followed, in breach of the public interest and in violation of the law. In general, there are laws against these more obvious conflicts of interest, while other more subtle conflict-of-interest situations might not imply violation of the law but still present ethical problems (Willbern 2001: 118–19).

Over time, the focus on pecuniary interests and how these affect officials have been broadened to include emotional and associational interests. Carson (1994: 388–9) argues for the necessity of defining conflict of interest in such a way that it (1) includes situations that officials themselves think are conflicts but actually are not; (2) does not require that individuals fail to perform their official duties (it is enough that the situation makes it difficult for them to perform their official duties); and (3) implies that people could only be involved in a conflict of interest if they are employed by others or hold an official position in an organisation. Carson takes the example of nepotistic employment practices. There is clearly conflict of interest if the person who hires a friend or a relative is himself an employee or officer of an organisation. However, should a business owner be hiring a friend or relative, this is a conflict of interest, because the business owner has no duty attached to his or her position which conflicts (or might conflict) with the interest of the friend or relative being hired.

Individual conflicts of interest

At the individual level, conflict of interest is understood very much in terms of this traditional perspective, that is whether officials may have done something in their role so as to promote a private interest that otherwise would not be the case (e.g., Stark 1997: 111; see also above). As such, individual conflicts of interest are generally understood by using the rational choice model – individuals are seen to be maximising utility in the context of cost–benefit calculations (Coleman 1982). Thus, a conflict of interest may be considered, in Guzzetta's terms

(2008: 23), as 'a situation where an individual's pursuit of private interest is – due to his or her positions as defined by the legal order – in (actual or potential) conflict with another private or public interest for which he or she has the entitlement (and "power"), but also the "obligation" to discharge.' In this case, the basic elements of this situation are a legally quali-fied position (social, economic, institutional), two different interests that are actually or potentially contrasting and a position that gives power to execute decisions on behalf of a public or private office to honour.

We need to move beyond the individual level to understand what actually puts individuals in conflictual situations and what factors affect their choices in these situations. To this we turn next.

Moving beyond the individual focus: The evolution of the 'disciplined' state

The literature considered so far largely confines itself to particular acts performed by specific individuals (and those considered close to them). This is a logical, but outdated way of looking at interest conflicts, given that the increased participation of the private sector in the produc-tion and provision of public services, together with a more remote role for the state in the regulation of the financial industry, has greatly changed the nature of interest conflicts in OECD countries and has done so at a systemic level.

Scholars at the World Bank Institute have developed the idea of 'state capture' to describe important, systemic 'transitions in governance' (Hellman et al. 2000). The idea that key aspects of sovereign authority are, over time, controlled or captured by private parties ('oligarchs') is not a new one; there is a rich literature outside economics, dating back to the 1950s and 1960s, which makes the same point in more depth and in historical context (Mills 1956; McConnell 1966; Lowi 1969).

More recently, Johnston (2005) has characterised the USA and several other OECD coun-tries as 'influence markets', as will be considered in more detail below. He observes that 'a "new consensus" emerged during the 1990s – one that treats corruption mostly as bribery, and as both effect and cause of incomplete, uneven, or ineffective economic liberalization, with the state judged primarily in terms of the extent to which it aids or impedes market processes' (Johnston 2005: 6). As Johnston explains, this consensus neglects the ethical effects of liberalisation itself. The focus on bribery is warranted, but, in influence markets, bribery is just the tip of the iceberg.

One of the most perceptive and detailed analyses of the governance regime in OECD countries consequent to economic liberalisation and growing political power of the financial industry is Roberts' analysis (2010) of 'global capitalism and the architecture of government', *The Logic of Discipline*. Discipline, in his analysis, begins with misgivings about the long-term stability and productivity of democratic governance and leads to laws, institutions and policies designed to limit or prevent elected officials and the public from making 'ill-advised decisions' (Roberts 2010: 4–5). The state is disciplined and controlled in favour of what statutorily independent central bankers and international trade arbitrators consider to be stability and welfare. The model of the independent regulator has emerged globally as a counterweight to the wave of democratisation following the fall of the Berlin Wall and, potentially, the Arab Spring. Roberts is concerned with the impact of market discipline on the legitimacy of government and presents as evidence the way that trade treaty obligations and central-bank policies have been transformed into the interests of a 'guardian class' that has no guiding philosophy other than its faith in markets and a distrust of democracy (Roberts 2010: 136–7).

With these perspectives on markets and governance in mind, we are drawn to an established field of political analysis to find method and context for the study of conflicts of interest. While it evolved as an approach to understanding the state in the USA, American Political Development is a sophisticated combination of historical, cultural and political analysis that reveals the trends and shifts that shape civil society, the institutions of the state and, not least, the ethical climate of a polity and its application to the study of other OECD systems. Stephen Skowronek's (1982) explanation of governance in the USA from the end of Reconstruction to the 1920s provides a guide to how the shift towards what the World Bank scholars call state 'capture' can be described and how its influence on public integrity can be assessed. The idea of state 'reconstitution' in the following excerpt is especially useful to this task.

State-building is prompted by environmental changes, but it remains at all times a historical-structural question. Whether a given state changes or fails to change, the form and timing of the change, and the governing potential in the change – all of these turn on a struggle for political power and institutional position, a struggle defined and mediated by the organisation of the pre-established state. Herein lies the key to the state-building achievement in twentieth-century USA, which successfully negotiated a break with an outmoded organisation of state power. The modern US state represents an internal governmental reconstitution worked out through incremental political reform (Skowronek 1982: 285).

We argue that a reconstitution of the state has taken place since the market liberalisation reforms and de-linking of central banks and trade control regimes from OECD national governments. This has implicitly redefined public integrity and its relationship to democratic legitimacy, calling for a critical understanding of these changes. The focus on particular aspects of public integrity and interest conflicts therefore depends on how the problem is framed. For example, what type of actors are we interested in: officers in government or elected officials? Do we view conflicts of interest as a moral problem in terms of how individuals deal with many interests that might affect the service they provide in their role as a public official? Or do we see conflict of interest in terms of institutional problems or even systematic problems, where it is actually the set-up of political economy itself that created inevitable conflicts? As we see it, critically exploring conflict of interest given these political economic changes should include analysis of institutional and systemic conflict of interest.

Organisational and systemic conflict of interest

Organisational-level analysis does not entail defining conflicts in a different way from the individual level, but it does involve a shift in emphasis towards understanding what it is that is causing the conflict. Thompson (1995: 6), in a study of ethics in the US Congress, pointed to the need to move to what he calls 'institutional corruption', which includes improper use of public office for private purposes, but also encompasses 'conduct that under certain conditions is a necessary or even a desirable part of institutional duties' (Thompson 1995: 7). Institutional corruption therefore highlights the institutional rules, routines and expectations that might bring legislators to provide services in exchange for personal profit, such as the common practice of legislators combining constituent service with fundraising, which depends on norms and expectations, which influence and shape the motives and behaviour of individual legislators (Trost and Gash 2008: 7).

Finally, moving to a systemic perspective, we emphasise how conflicts of interest might result from institutional conditions and political–economic relations in society. Simply

put, this perspective focuses less on individual officials as the cause of conflict-of-interest violations and more on the way that political-economic realities structure public–private relationships, by allocating power and influence among actors.

We have in mind the big structural changes that have taken place in many high-income countries, primarily, the increase in financialisation of national economies and the privatisation and outsourcing of public-sector activities, which have structurally reordered public life and public service.[2] It is important to note that systemic analysis of conflicts of interest is closely aligned with Johnston's (2005) seminal discussion of how different societies are characterised by various syndromes of corruption, which themselves reflect commonly encountered combinations of political participation and institutional strength. Thus, different syndromes of corruption in a society reflect the way wealth and power are sought, used and exchanged, and social and political structures that both sustain and restrain those activities (Johnston 2005: 39).

In established democracies such as the USA and Sweden, the market economy is mature, liberalised and open. Competitive politics and markets have been in place for a long time, and economic and political institutions are strong. In such systems, the characteristic corruption syndrome is 'influence market corruption', i.e. dealing in access to and influence within strong state institutions, often with politicians serving as middlemen, putting their connections out for rent in exchange for legal or illegal contributions (Johnston 2005: 42). Mature market democracies offer extensive political and economic opportunities. Legitimate constitutional frameworks, political competition, free news media, strong civil societies and open economies help to check abuses but have not solved the corruption problem. Instead, as these societies have developed, their political systems have adjusted to wealth interests, fitting the rules to these interests in significant ways. Most economic exchange takes place fully within the private sector with less demanding rules than in the public sector, while the political influence of wealth is exercised through established channels (Johnston 2005: 42). When power relationships and institutional and systemic conditions change, and the last generation has seen historic changes, then the way that public officials pursue their interests will change also.

O'Brien (2003) provides a good example of a system-focused analysis of conflict of interest, analysing corporate malfeasance scandals in the USA and pointing to the financial system itself as systematically corrupted. He rejects explanations focused on the individual actor or firm as deviant: the formal and informal networks that link corporations, regulators and political parties are analysed to show structural impediments to economic and political reform (O'Brien 2003: 1–2). Seen against a weakened role for the state in policing the economy, the uneven relationship between regulators, corporations and politicians becomes obvious and lowers the moral cost of corruption (O'Brien 2003: 3). The links across the whole business sector from board directors to the market through professional agents, in the form of accountants, auditors and lawyers, is pointed to as having 'resulted in the creation of the most influential network in American society' (O'Brien 2003: 14–15).

The 2002 introduction of corporate responsibility legislation addressed some of the problems concerning corrupt actors within US firms but not the wider issue of the operation of the financial model itself at systemic level, something that O'Brien partly attributes to the $41 million spent in lobbying by the securities industry (2003: 10).

Moreover, reform has been difficult as politicians themselves have heightened the influence of money in politics 'by their constant attempts to extort it from the very industries with most to fear from government regulation' (O'Brien 2003: 18). This influence, in the USA, has been strongly reinforced by the US Supreme Court decision in *Citizens United* v. *Federal*

Election Commission (2010), which removed the prohibition on corporate and labour financial participation in national elections.

Regulating and sanctioning interest conflicts in Sweden and the USA

The USA is a case in which the effects of financialisation and public–private governance are readily apparent. The US case has been especially prominent in the discussions and debates about the effects of financialisation due not just to the impact of financialisation within the USA but also to the major role played by the USA in the world economy in general and the financial crisis in particular.

Increased financialisation is also an important factor in Sweden, but in relative terms less so than for the USA (Beck et al. 2000; Beck and Demirgüç-Kunt 2009; Assa 2012). Moreover, the financial crisis of 2008, although hitting Sweden hard, caused fewer problems in Sweden than in the USA. Public–private governance and outsourcing have been important trends in Sweden (OECD 2005b: 5), although the majority of public functions are still provided by government.

Internationally, Sweden is considered to have a well-functioning public sector. The central government is responsible for law enforcement, social security and university education. The bulk of public-sector services, however, such as health care and primary and secondary education, are carried out by regional and local authorities, which have elected assemblies. Government offices (which includes the ministries) are small and separated from the state agencies that carry out service and production and which are accountable to the central government. Yet, at the same time, the independence of the public sector and its authorities has constitutional protection. Thus, in contrast to almost all other countries, ministerial rule in Sweden (that is, the possibility for ministers to interfere in the business of public servants handling individual cases) is prohibited (Instrument of Government chapter 12, articles 1 and 2).[3]

In regard to impartiality, independence and level of corruption, available data suggest that the situation in Sweden is comparatively good. This fortunate position has often been associated with particular features in Swedish society: wealth, equality, social cohesion and trust in other people and institutions. The public sector is, by many measures, efficient in carrying out its tasks in an impartial manner (Charron et al. 2011; World Values Survey 2010).

Furthermore, however, the principle of public access to official records is buttressed by the right of public servants to pass information to journalists under the Freedom of the Press Act. These are integral parts of government in Sweden. The institution of the Ombudsman is also an important way of giving citizens redress and an extra check on wrongdoing, as well as an institution that has been exported worldwide. One could say that in Sweden control of corruption and irregularities has mostly been done through openness, well-informed citizens and the media, via the principle of public access to official records, rather than via formal control systems, monitoring and audit (although, of course, they also exist). This has also been demonstrated by the fact that most revelations of scandals and irregularities in Swedish government have been by the media rather than formal control mechanisms.

But we should also note new challenges and changes, including the major change in private–public sector interaction since the late 1980s. Contracting out, privatisation and the use of new public management ideas have affected private–public sector interaction. Sweden's rate of outsourcing is also relatively high in comparison with other OECD countries, though, as in other Nordic countries, this relies less on private institutions providing services directly

to end users and more on expenditures (over 75 per cent of outsourcing) for intermediate consumption (i.e. purchase of goods and services for inputs) (OECD 2010: 168).[4] This has also meant that purchase and procurement of goods are an important and integral part of public administration today, with public procurement of goods and service constituting around 15–20 per cent of GDP (Bergman 2008: 4).

Regulation of conflicts

There is an overarching legal framework common to the USA and Sweden to ensure impartiality and integrity in public administration. The principle of professional impartiality is stipulated in the Instrument of Government (chapter 1, article 9) and the Federal Office of Government Ethics (5CFR2635.101.a) and thus the overarching anchor for the protection against acting in conflict of interest in public administration has constitutional protection:

- **Sweden**: Courts of law, administrative authorities and others performing tasks within the public administration shall have regard in their work to the equality of all before the law and shall observe objectivity and impartiality.
- **USA**: Each employee has a responsibility to the US government and its citizens to place loyalty to the Constitution, laws and ethical principles above private gain. To ensure that every citizen can have complete confidence in the integrity of the Federal Government, each employee shall respect and adhere to the principles of ethical conduct.

The most obvious conflict violations, such as bribe-taking and embezzlement, are regulated in national and sub-national penal codes.

In general, the role of members of the Riksdag (the Swedish parliament), the Congress and other American legislatures is less regulated than for cabinet members and high public servants (which is also the case in other countries, cf. Gibbons 2011; Clark 2001). Conflict of interest (disqualification) is regulated in the Riksdag Act (chapter 2, article 11) and by the Office of Government Ethics and the Code of Federal Regulation, 5.2635 which mandate that members should not take part in matters in which they have an interest. There is no formalised code of conduct in Sweden, although it has been discussed, and, similarly, there is no specific regulation of gifts to members in the Riksdag Act, but the rules in the penal code concerning bribes do apply (as they do for members of local and regional assemblies) (Penal Code chapter 20, section 2). There is also a compulsory (since 2008) register where MPs must disclose their commitments and economic interests, with the purpose of openly accounting for eventual connections between members and various interests (Riksdagen 2011; SFS 1996: 810).[5]

Gifts and hospitality

In general, gifts and hospitality are also regulated by rules in the Swedish penal code about bribe-giving (chapter 17, section 7) and bribe-taking (chapter 20, section 2). For government ministers there are rules giving guidelines on how to deal with gifts (Government Offices 2008).

It is the responsibility of individual authorities to have an internal hospitality policy. It is the director who decides the extent of hospitality (Riksrevisionen 2004). The Swedish National Financial Management Authority issues guidelines for hospitality for state agencies clarifying what it is, how it should be accounted for and other rules. Local authorities

also have policies, but not all have codified hospitality regulations. US federal employees are prohibited, with some exceptions, from receiving gifts of more than US$20 (5CFR 2635).

Extra- and post-public employment work

The Swedish Public Employment Act (section 7, SFS 1994: 260, section 7) bans extra-occupational activities that could harm the confidence of public servants' and their agencies' impartiality or the reputation of the authority. It also further specifies how such activities should be handled, with similar regulations for local and regional governments (Allmäna bestämmelser [Terms and conditions], chapter 3, section 8).

However, there is no Swedish regulation against high public servants, cabinet members or staff moving to other jobs in the private sector. In principle, a minister can go directly to a job for a lobbying firm in the private sector.[6] The lack of rules and guidelines concerning post-employment is something that the Group of States Against Corruption (GRECO 2009: 2–3) has criticised and requested Sweden to address by some form of policy or regulation. Sweden has traditionally defended its position by pointing to the positive effects of having a flexible labour market where people can move between the public and private sector but ongoing discussion might lead to new initiatives addressing the issue.

The US Code of Federal Regulations sets out stages of post-public employment regula-tion, though it will be readily apparent that phrases such as 'personally and substantially parti-cipated' and 'official responsibility' are open to interpretation.

Listed below are restrictions on any former government employee acting in relation to a partic-ular matter in which the employee had previously personally and substantially participated.

- two-year restriction on any former government employee acting as representative as to a particular matter for which the employee had official responsibility;
- two-year restriction on a former senior employee's assisting in representing as to a matter in which the employee participated personally and substantially (5CFR 2637);
- one-year restriction on a former senior employee's transactions with former agency on a particular matter, regardless of prior involvement.

There is no general ethics code for public servants in Sweden.[7] Several government commis-sions have investigated the issue but refrained from proposing one. Instead, the latest policy is to strive for increased awareness and understanding among public servants as to the core values of public administration (Petersson 2010: 122). Perhaps the clearest statement of the way codes work as guidelines, rather than enforceable rules, is the standard the US Government Accountability Office sets for its own investigators and auditors: 'Maintaining objectivity includes a continuing assessment of relationships with audited entities and other stakeholders in the context of the auditors' responsibility to the public. The concepts of objectivity and independence are closely related. Independence impairments impact objectivity' (Government Accountability Office 2011: 10)

Pursuit of interest conflicts

The Riksdag has important control powers in relation to government and agencies under the government in order to scrutiny whether goals concerning laws, political goals, budget requirements, etc., are fulfilled. Two important bodies that perform this role are the Swedish National Audit Office, which audits state activities, and the Parliamentary Ombudsmen,

whose mission is to ensure that public authorities and their staff comply with the laws and other statutes governing their actions (Petersson 2010: 209; Sveriges Riksdag 2012).

In terms of charging public-sector employees for offences and disciplinary matters, the Swedish Public Employment Act (section 22) stipulates that when there are suspicions on good grounds concerning breach of duty, bribe-taking or other crimes that would result in a prison sentence, these should be reported. The US practice is to open an investigation and to keep it open without informing the target for as long as possible in order to determine the extent of wrongdoing and whether others are involved.

However, there is little possibility of imposing sanctions in conflict-of-interest cases involving public appointments and public procurement at the local and regional levels in Sweden. The reason is that these activities are not considered an exercise of public authority and cannot therefore be prosecuted using the Criminal Code's rules on professional misconduct.[8] In practice, individuals are not punished in such cases unless other articles in the penal code apply such as bribe-taking. A great number of irregularities, for example actions that advantage one's own or someone else's interests, can occur in connection with public procurement, yet fall short of being actual bribes (Falk 2009: 40; Molander 2009). The USA is a direct contrast to this situation. All American jurisdictions define public procurement as official activity.

In both Sweden and the USA, it is evident that current corruption rules are difficult to interpret, which makes transgressions more likely and penal sanctions less so. Studies of the local level in Sweden conclude that conflict of interest and corruption is less likely to be revealed owing to weaker scrutiny (compared to the state level) from media and the political opposition. Moreover, possibilities for sanctions are often low concerning conflict of interest in appointments and public procurement (Falk 2009; Andersson and Erlingsson 2010).

Employees in local government commonly have roles in private companies; some of these also have contracts with the municipality, leading to rules not being followed with no routines for follow-up of regulations (e.g., Citron 2010; KPMG 2010; Norrtelje Tidning 2010; PricewaterhouseCoopers 2010). US conflict-of-interest rules would cover such situations but are far from uniformly enforced. For example, a lawyer hired by the City of Utica, New York, in 2010, to investigate the misappropriation of public funds received by a particular contractor, was hired by the same contractor to conduct an investigation of its own operations at the same time. No conflict of interest was either alleged or investigated (Fusco 2010).

At the state level in Sweden too there have been concerns about incomplete regulation of side occupations and a lack of common policy, which could cause conflict-of-interest situations and reduce confidence in agencies (Riksrevisionen 2008a, 2008b). The Parliamentary Ombudsmen has, without saying it is common, called attention to cases where an agency has combined tasks of exercising public authority, giving advice and doing work on commission, which might question its impartiality (Committee on the Constitution 2011: 20–1).

So what does this make of the effort by regulators, investigators and prosecutors to find and punish violators? Overall, the Swedish system in general has relied more on indirect control than detailed regulation of conflict-of-interest-related matters. This emphasises mechanisms securing openness and transparency in public administration, via the principle of public access to official records and related measures securing protection for officials that report irregularities to the media. Nevertheless, there are also statutes covering conflict-of-interest-related matters and bodies with the direct task of overseeing public administration, such as the National Audit Office, the Ombudsman, the Police and Prosecution Authority.

In the USA, the approach since the 1970s has been focused on law enforcement. However, most recently, we find a shift in some larger jurisdictions and in the federal government towards prevention and deterrence (Smith and Anechiarico 2011).

Illustrative cases: public–private governance

An example of interest conflict at the individual level is the employment negotiation in 2003 that was going on between the top financial officer, Mike Sears, of the Boeing Corporation, one of the world's largest defence contractors, and a missile defence expert in the US Air Force, Darleen Druyun, who served as the principal deputy assistant secretary of the Air Force for acquisition and management.

Druyun was contacted by Sears after Druyun's daughter, an employee of Boeing, had mentioned to Sears that her mother was considering various options for her post-Air Force career. Druyun and Sears met about a job for her at Boeing, at which time she mentioned to Sears that an Airbus bid had come in $15 to $17 million less than Boeing's for a rocket-launcher contract that the two companies were competing over. Sears and later the Boeing president lost their jobs. Two years later, Druyun was sentenced to nine months in federal prison for violating the 1990 Procurement Integrity Act (Cavico n.d.).

As Coleman (1982) noted, understanding the influence of the rational-choice model is important to understanding the way we deal with conflicts of interest. The individual-level consideration of official action (and the response to it) that is basic to the rational–choice paradigm and the way it has most often been used in relation to conflict analysis recognises little other than individual interests and, thus, no 'fundamental' conflicts underlying or related to action. Instead, 'when research has clarified consequences of a policy, [the rational choice model assumes that] conflicts will vanish' since an objective or 'correct' policy choice will be apparent (Coleman 1982: 168). Whether the means used in achieving the correct policy are honest is not a concern of the rational-choice approach.

Understanding conflicts of interest requires both individual and organisational levels of analysis. Therefore, in addition to the model of rational action mentioned above, the analysis of organisational conflicts of interest entails the theoretical approach set out by theorists of organisational behaviour and structure (Merton 1968; Weber 1978; Perrow 1986; Thompson 2003)

Our final case also clearly brings into the analysis how features endemic to the business and political model itself influence interest conflicts. Here the Enron scandal illustrates a case where corruption much is a symptom of systemic in-built tendencies.

Enron was an energy, commodities and services company that had rapidly grown to become one of America's bigger companies with about 21,000 employees in more than forty countries at the time when the scandal hit in 2001. It was revealed that the company had been false about profits and through underhand transactions, relations and hidden debts that did not turn up in the accounts of the company. Senior executives in the company were implicated as well as in the accounting firm that it had consulted. As a result of the scandal, Enron went into bankruptcy in December 2001. In 2002, the US Justice Department started investigations resulting in more than 100 charges with nineteen former executives being convicted. The scandal had a great impact on the political-economic landscape and triggered a number of investigations by congressional committees. Arthur Andersen, the international accounting giant that had been complicit in the false accounting, was disgraced and dissolved. Moreover, the scandal raised questions about the role of business contributions to political campaigns, the potential interest conflicts between audit work and

consultancy and whether regulation of financial derivatives trading had been too loosely regulated (BBC News 2002; CBC News 2006).

Concerning the role of finance organisations, the committee chairman in the Senate investigation of the Enron scandal, in a statement accompanying the committee's report, said:

> Enron's deceptions were shocking, and equally shocking was the extent to which respected US institutions like Chase, Citigroup, and Merrill Lynch helped Enron carry out its deceptions and mislead investors and analysts . . . These financial institutions weren't victims of Enron; they helped plan and carry out Enron's deceptions in exchange for large fees or favourable consideration.
>
> *(Quoted in O'Brien 2003: 5)*

Lobbying documents that were disclosed by Congress showed that Enron in total had contributed $4.6 million in its efforts to influence Congress, federal agencies and the White House during 2001. However, this sum was not exceptional. In the previous year, several companies spent even more on lobbying: General Electric $16 million; the defence contractor Lockheed Martin $14.4 million; Philip Morris $11.2 million; and the telephone company Verizon $10.5 million (Financial Times 2002). Of the 248 senators and representatives that investigated Enron, 212 had received campaign contributions from the company, revealing how widespread corruption tendencies were. (O'Brien 2003: 16). Relations between the White House and Enron caused controversy, as Enron had made big donations to the presidential campaign in 2000 (BBC News 2002).

Conclusion

The context of any conflict of interest – a level of analysis that is often missing in the literature, because it is amorphous and difficult to describe – is the political and economic environment of the conflict. The contemporary problems described here differ in important and interesting ways according to whether they occurred before or after the 2008 crisis. The analysis of the Enron case made clear how organisational and systemic set-ups and relationships can cause conflict-of-interest situations that are very hard to control by regulating behaviour of individual officials. Rather, it was systemic aspects with the close connections and dependence between politicians, regulators and companies that need to be in focus for a better understanding of such interest conflicts.

While the political and economic environment is perhaps the largest context one might consider for conflicts of interest, it is still amenable to quantification. For the economy, rates and trend in GDP growth and unemployment are reliable indicators. In the political system, the length of time the executive administration has been in power and whether, in a parliamentary system, the government is a coalition and, if not, what its majority is are relevant to discussion of the nature of systemic conflicts. In presidential systems, whether the president's party holds a majority of seats in either or both houses of the legislature is important. And in both forms of government, the exact nature of campaign finance and lobbying rules is critical to the definition of interest conflict.

We conclude that the indirect mechanisms of control, which are very important for oversight and as a deterrent against conflict of interest and related problems, have been severely weakened by public–private governance and financialisation. As more government services and production are provided in alternative forms, such as private entrepreneurs delivering services, the principle of public access to official records and the protection that goes with it

for public servants informing media (the centrepiece of indirect control in Sweden) is weakened, as it does not apply to these private organisations - thereby reducing the possibility of control against conflict of interest and corruption. Alternative forms of organising activities do not get the same scrutiny from audit (at the local level of governments) and from the media as do activities within the traditional form of authority and despite increased focus on both legal regulation and ethics policies, there have not been other measures undertaken that fully compensate for risks resulting from changes in the political economy of governance (Andersson 2008a; Andersson and Bergman 2009; Andersson and Erlingsson 2010).

Systemic conflicts of interest require attention to systemic dysfunction. Financialisation is not a likely topic; outsourcing and the connection between private interests and the funding of the electoral process are far more likely. It is policy that got us where we are, in terms of deep-seated, systemic interest conflicts – policies that, especially in the USA, leave outsourcing as nearly the default option in both the USA and Sweden and, in the USA, policies that have opened the floodgates for private money and influence to flow into legislative and executive politics. If these points appear to be factors influencing a number of other supposed ills in OECD countries, like the failure to deal effectively with public debt and the turn away from public responsibility for education and pensions, it should not be surprising. If we apply Johnston's prime factors, we find outsourcing and financialisation both weakening public institutions and dampening the effectiveness of political participation, as the locus of governance shifts away from accountable, public officials.

Notes

1 We use the concepts of organisational and institutional conflicts of interest interchangeably.
2 By financialisation we refer to what Epstein (2002: 3) has defined as 'the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels'. See also Palley 2007: 2.
3 The rules apply in the same way for local government administrative agencies. The Instrument of Government (chapter 12, article 2) states: 'No public authority, including the Riksdag and the decision-making bodies of local authorities, may determine how an administrative authority shall decide in a particular case relating to the exercise of public authority vis-à-vis a private subject or a local authority, or relating to the application of law.'
4 Still, the majority of public functions and services are provided by government agencies and local and regional authorities.
5 Including stock, employments, directorships and assistance for which members are not paying themselves. Debts are not required to be accounted for (SFS 1996: 810, section 8).
6 One example when such a move caused much debate was when a former prime minister shortly after resigning as party leader and about a year after resigning as prime minister took a post as senior consultant for a consult and lobbying firm (Politiken 2007; Svenska Dagbladet 2007).
7 However, there are individual agencies that have ethics policies; see, for example, the National Audit Office.
8 This is because it is regarded as an agreement or contract between two equal parties rather than a case of a public authority being in a position to exercise power to decide for another party about benefits, rights, obligations, disciplinary punishment or other similar condition.

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New directions

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19

REFLECTION AND REASSESSMENT

The emerging agenda of corruption research

Michael Johnston

Introduction: stepping back for a look

A generation ago, many discussions of corruption began with the observation that serious research on the topic was scarce. And so it had been for some time: after having a definite place in discussions of development, modernisation and political stability during the 1950s and 1960s, and anchored by an influential discussion by Samuel Huntington (1968: 59–71), Arnold Heidenheimer's (1970) first research anthology and James Scott's landmark book (1972), academic research on corruption went into eclipse during the mid-1970s. Possible reasons are numerous: the end of the Vietnam War era and, with it, the notion that the democratic world could and should 'modernise' poorer societies, may have diverted interest from optimistic grand theories of development. The Watergate scandal, high-level extortion in Japan and, somewhat later, a variety of scandals in Germany, among other cases, showed that serious corruption could occur in those democracies, but often in forms that did not fit the theories then in hand. Politics researchers in Europe and elsewhere did continue some work, opening up a lead over their American counterparts that in many respects they still possess. In general, however, political scientists studying corruption faced stiff headwinds.[1]

The silence was equally pervasive in the policy world. For a variety of reasons including reluctance to bring their own programmes into disrepute and a sense that corruption was a nuisance factor (or even helpful) rather than a major concern, few aid and development organisations devoted any discussion to it. Research funding was virtually non-existent: whether out of a wish to avoid controversy or fears that serious study of corruption might threaten some of their own supporters, few foundations and research sponsors took proposals for corruption projects seriously. That reticence, arguably, persists to this day.

But the end of the Cold War changed many things. Corruption issues moved higher on the international policy agenda than they had ever been, attaining 'flavour-of-the-month' status at various points. Academic interest returned too, with international scholars again leading the way and, in the USA, economists taking the lead over political scientists. Related disciplines including public administration and anthropology, and politics subfields such as electoral and party finance, likewise generated intriguing findings.

Today the challenge is to keep up with the volume of work being done and get to grips with emerging trends.

Where are we now?

Both despite and because of all that has been accomplished, a reassessment of sorts is now under way. Recent published research is often reflective and critical of the past generation's work. On the reform side, Transparency International, which led the way in putting corruption onto the agenda in the 1990s, has launched reassessments of core issues and reform thinking. Whether we think of the current phase as a new realism, pessimism or just an opportunity to stop and catch a breath, it is both likely and desirable that the next stage of research will be substantially different from what we have seen so far.

One major reason for that is the anti-corruption movement's indifferent track record. A second, and closely related, family of concerns has to do with the origins of the movement and with the interests and assumptions shaping its worldview. A third issue might best be described as a nagging sense of incompleteness: just what is meant by 'corruption', how those meanings are shaped by social and political context and what we might have systematically overlooked with respect to developed as well as transitional societies are among the questions opening up useful critical perspectives.

The tenacity of corruption

Despite a generation's efforts by scholars and officials – and, more to the point, by courageous citizens and activists around the world – virtually no one today claims that we have corruption on the run. In some respects that is not surprising: early accounts of the problem no doubt underestimated its scope and certainly did not reflect its sheer complexity and capacity for adaptation. Progress has been made in specific agencies or jurisdictions, and systems of cooperation are in place at both the regional and international levels; conferences are held and reform campaigns launched on a regular basis. Corruption is acknowledged as a priority by major bodies contending with problems ranging from poverty to environmental degradation to terrorism, and beyond. The annual appearance of Transparency International's Corruption Perception Index (CPI) is an occasion for headlines, boasting and finger-pointing in dozens of countries, and success stories from Hong Kong and Singapore have been retold countless times.[2] But sustained reductions in corruption at the level of full-scale national societies are few. Moreover, a lack of valid and reliable measures means that we would be hard pressed to demonstrate large-scale successes even if we were to see them. The academic literature on cases and cures is large but, to a distressing extent, neither cumulative nor comparative, and researchers in the academic and policy orbits often seem to use different vocabularies. The notion that corruption problems can differ greatly is usually acknowledged, yet reform schemes for contrasting societies seem to differ little, and authors continue to submit journal manuscripts based on statistical analyses of the CPI that treat corruption as one-dimensional.

Misgivings about the movement

Neither corruption issues nor the movements linked to them resurfaced because of any sudden surge in the phenomenon itself. Several contributing circumstances arose in the late 1980s and early 1990s, including the obvious difficulties of many societies once the glow of their political transitions began to fade. Other factors included political pressure to show more

benefits from aid programmes and declining tolerance of corruption for geo-political reasons ('General X is a corrupt bastard, but he's *our* corrupt bastard'). But an equally important factor was the worldview shared by international businesses and sympathetic Western governments. Some of their concerns were practical: many businesspeople, operating on a broader scale than in the past and facing far more intense competition, realised that corruption was not just an overhead cost of doing business but rather a dead loss – in effect, a penalty upon innovation and efficiency. In addition, American firms, by contrast (at the time) with their competitors elsewhere, were restrained by the Foreign Corrupt Practices Act (FCPA) of 1977.[3] None of that is meant to suggest that those firms necessarily abstained from corruption; still, as the 1990s wore on, many executives advocated corruption control to even out what they saw as competitive disadvantages.

Other forces behind the movement were ideological. Conservative regimes in the UK and USA, among other places, saw government as the problem in development rather than as a solution, likened its role to that of the quintessential rent-seeking bureaucrat and argued that the state, its taxes and many of its spending and regulatory programmes must therefore be scaled back. Some scholars argued that by nature and in terms of growth-inhibiting effects, corruption differed from taxation (that other *bête noire* of business) only by degree (Shleifer and Vishny 1993; more nuanced arguments were offered by Wei 1997). Numerous international policy-makers concurred. Liberalised and privatised markets, the argument ran, would not only more than fill the social and welfare gaps left by the state but would also be open, self-regulating and far less corrupt. To a striking extent, such critics equated human well-being with aggregate economic trends and envisioned government essentially as the referee in society's economic games. Consequently, reform was defined in terms of technical 'governance' challenges rather than as a quest for human development or justice. Some (though far from all) academic critics saw the new movement as little more than an effort to recolonise many poor societies – as a movement both disguised and, to borrow from Wilde, made tedious by morality.

What have we missed?

Business and government backing pushed corruption concerns up the international agenda far faster than academicians could ever have done on their own. But it also helped build a consensus that was sweeping in the scope of its claims yet strikingly limited in other respects. Corruption, many agreed or assumed, is harmful to development, with 'development' seen primarily in economic terms; is best understood as bribery; and can be controlled with incentive-oriented administrative reforms, strict legislation and generous applications of 'political will'. Much corruption, the argument ran, could be seen as both cause and effect of uneven or ineffective economic liberalisation and deregulation; aggressive privatisation and 'structural adjustment' of the frontiers of the public sector would, therefore, reduce corruption by depriving officials of meaningful power to put out for rent. Corruption came to be seen as varying among whole countries primarily in terms of extent rather than in kind. Many viewed the problem as existing mostly 'out there', in the poorer, warmer and less democratic parts of the world; as having to do mostly with actors and problems within a given country rather than those acting regionally and globally; and as stemming from the things those countries seem to lack as compared to affluent market democracies. Remedies, therefore, have tended to involve emulating the laws and institutions of those fortunate countries – with the upshot being that reform recommendations have been strikingly similar even when the focus is upon quite different sorts of places. Contrasts in corruption within countries, and the ways in which

reforms might need to differ from one setting to the next, have received relatively little attention.

The problem is not that the consensus is utterly wrong, nor (a judgement many will dispute) that it reflects malevolent intent. Indeed, in many details it falls short of being a consensus at all, in the strict sense. It is, instead, ahistorical, indifferent to contrasts among and within societies, based on a limited conception of justice and the significance of politics and insufficiently critical of its own premises and origins. For example, the CPI, for several years the main corruption metric, depended heavily in its initial years upon opinion surveys of international businesspeople. Equating 'corruption' with 'bribery' not only selectively emphasises the varieties most closely linked to business dealings but also, by implicitly reducing corruption to a series of illicit-but-free exchanges, diverts attention from the ways it capitalises upon inequality, as well as potential links to coercion and violence.

As a result, we have found it difficult to identify important, as opposed to more superficial, contrasts and similarities in corruption's causes, processes, social significance and effects. We have tended to treat index scores almost as national attributes, not unlike GDP per capita, that are somehow applicable to all levels and sectors within a society.[4] Add to that a lingering tendency to judge the consequences of corruption against the standards of a wholly rational state and open economy the likes of which have never existed, and we arrive at what we have now: a Western-driven reform movement relatively unconcerned with the distinctive histories and realities of developing societies and aimed at cajoling those societies to emulate what the affluent democracies imagine themselves to be, coexisting with scholarly debates that have relatively little impact on policy.

Promising trends, future challenges

The foregoing discussion has gaps and blind spots all of its own, but much remains to be done and a great deal has been missed along the way. The rest of this chapter offers a survey of emerging trends and possible goals for future research. The points to come are subjective in at least a double sense: they reflect both my own incomplete understanding of the work that has been done and is now going on, and they present and elaborate upon the views of others (with whom I often, but do not always, agree) in ways that are inevitably shaped by my own views. Thus, to the extent that that discussion calls forth differing and opposing views, that will be all to the good.

Qualitative variations in corruption

If corruption is not an undifferentiated, one-dimensional phenomenon – in effect, the same thing everywhere – then what contrasts and similarities are important, and what questions would we help answer by recognising them? How do corruption problems change, not just in scope or amount (those questions probably being unanswerable to begin with) but also in kind, in the ways people understand and respond to them, and in their effects? Typologies of corrupt practices in various settings would be a first step, and where they have been done they have been of enduring appeal (Karklins 2002, 2005). So would an understanding of the social and psychological processes involved in judging what is acceptable and unacceptable conduct, and what the significance of the latter might be (a useful beginning was Miller et al. 2001). We might also want to ask how developmental, historical, cultural and political forces shape such categories. Can such an analysis illuminate contrasts that are important from the standpoint of explanation and reform (one such attempt is Johnston

2005), or do they lead to categories that are too numerous or too remote from corruption as a lived experience?

Understanding such contrasts and their full social significance is complicated by the tendency to think of corruption as law-breaking activities, usually extending across public–private boundaries and as private-regarding misconduct that defies the rules and principles of the regime. But where corruption is systemic, and where it is the rule rather than the exception, many of the stated laws and principles are abstractions at best, or cynical evasions, with corruption being the core of a regime rather than a challenge to it. In those situations, calls for improved administration, a stronger civil society and greater 'political will' may be irrelevant at best and quite risky at worst.

The obverse of the deviance worldview is that we find it hard to understand how, in many allegedly low-corruption societies, many corruption grievances involve activities and privileges that break no laws and can involve power relationships that are the basis of the political order, not transgressions of it. Political party and campaign finance in numerous democracies are examples; most such activities follow the law and yet are seen as corrupt or corrupting by many citizens. Other varieties involve activities that are widely accepted – networking, lobbying and certain uses of the sorts of information that free governments and markets require – but that are pushed to extremes, thereby threatening principles of fairness that are no less crucial for being diffuse. Wealthy firms and individuals often make and defend their fortunes through variations on rent-seeking (Stiglitz 2012: Chapters 2–4) that might well be illegal in the public sector yet, in market settings, are not just legal but frequently widely admired. Key 'guarantor' institutions such as the commissions overseeing markets or enforcing political finance laws, or professional and trade organisations, may not only become corrupted but seem to conceal or protect a range of abuses. Whether that last sort of perception is technically accurate may be beside the point: the function of such bodies has important perceptual dimensions – among them, maintaining trust, fair play and essential transparency – as well as enforcing orderly trading and cutting transaction costs, and where their credibility is undermined society has a corruption problem quite independent of anyone's actual conduct. Similarly, critical kinds of corruption controls, as well as values that help people recognise corruption when they think they see it, may reside at the level of public opinion, social capital or reputation within local or sectoral communities. We need to know more about how such meanings of corruption, and how social checks against it, rise and fall.

A further implication of studying those sorts of corruption issues is that it might allow us to look deep into the private sector without having to argue that corruption there is the same as that occurring in public dealings (and also highlights the grey areas lying somewhere between). Applying the term 'corruption' to the corporate world is nothing new; the problem has long been that contrasts between the missions, powers, incentives, conceptions of equity and mechanisms of accountability found in business and government makes a direct extension of the term difficult. But particularly as liberalisation, privatisation and the devolution of once-public functions to partly or wholly private entities – or, to impersonal private processes in the form of markets – have proceeded, it has also seemed unsatisfying to confine the notion of corruption strictly to the public sector and related political activities.

Indeed, a promising approach is to question basic distinctions between the public and the private. History, again, must play a role in such discussions: where the state came from, and at whose initiative, is a critical question with no single answer, yet it puts our political and policy vocabularies into a revealing new light. As Bratsis (2003: 10) has put it,

> The idea of corruption has become so universal, so unquestioned, so much a part of various common senses, that its determinations, historical specificities, and social functions tend to remain hidden. If this is true anywhere, it is true in regard to the ever growing popularity of the term corporate corruption. Insider trading and bribery may likely be placed under the category of 'corporate corruption'. But what about embezzlement or union busting or transfer pricing or planned obsolescence? What makes something a corruption? Furthermore, what's so bad about corruption?

Serious inquiry along such lines will make it much more difficult to enshrine liberal democratic practices as universal goals of reform but will also open up a discussion of how those very practices, often justified as free and accountable, can produce patterns of influence and outcomes that many citizens find unfair – even corrupt in themselves.

Getting specific about globalisation

A call for greater emphasis on globalisation, economic liberalisation and integration may seem out of place here, if only because those terms are so commonplace in the existing literature. In September 2012, a search of Google Scholar, to cite just one example, using 'corruption' and 'globalisation' as search terms turned up over 143,000 hits. Clearly we have not ignored globalisation, but perhaps too often we have used the term only as a synecdoche for a range of developments, uncertainties and even sinister agendas.

Whoever we see as the heroes and villains of the piece, there are specific aspects we need to understand better. Pressure from international organisations, and from coalitions of aid and trade partners, may seem a promising anti-corruption strategy, but at least with respect to environmental policy and implementation the record suggests the result can be more corruption (Bauhr and Nasiritousi 2012). What do we know about businesses that operate virtually everywhere but seem to be held accountable nowhere? Can our understandings, much less reform itself, ever approximate the scale, and the pace of change, of such levels of business and political influence? What promise, if any, is there in the United Nations Convention Against Corruption, or in the Anti-Bribery Treaty negotiated through the Organisation for Economic Co-operation and Development, particularly when such agreements clash with domestic political imperatives? What more can be learned about the international dimensions of the 'resource curse', of terrorism and of trafficking in drugs, arms and human beings, with respect to corruption and reform?

That sort of enhanced international perspective would not only be potentially revealing; it would allow us – indeed, virtually require us – to take a fresh look at the developed world. We often observe that affluent nations' policies, their banks and businesses, their values and the examples they set and their aid programmes influence, and are influenced by, corruption in poorer countries. Indeed, the full range of involvements in international trafficking, the networks that fund terror groups, money-laundering that facilitates those and other abuses and in a range of other complex financial manipulations are only very dimly perceived. Can we lay out those truly global interactions at finer levels of detail, in comparative patterns or categories and in ways that begin to make sense of broader processes and outcomes? Do some of the concepts frequently applied to the developing world – 'failed states' and 'state capture', for example, or notions of patrimonialism – apply to some parts or all of the European Union (Warner 2007) or the USA?[5] Should we have been thinking of Japan as a kleptocracy at any point in the past two generations? Should 'state capture' include business influence over

institutional and legal functions in liberalised economies?[6] 'Fragility' might well include many advanced regimes too, where perceived corruption is among the factors undermining their ability to inspire genuine loyalty – a theme developed by Pharr and Putnam (2000) and deserving further investigation.

Whether or not such blanket characterisations clearly apply to 'developed' cases – almost certainly they will be ill-fitting – might be less important than the resulting questions of whether they apply anywhere, what if anything they help explain, and whether more precise (and in some cases, less loaded) terminology might be better. That sort of study might also ask how the moral valence of terms such as 'corruption' and 'reform', as well as the global interests they can embody, need to be qualified with some well-chosen adjectives. If it emerges that new concepts are needed, can we, again, devise a vocabulary sensitive both to important differences and frequently overlooked similarities as between the developed and developing world?

Those sorts of concerns demand a broader scope and a sharper set of tools than the 'good governance' approach generally offers. At issue are not only specific corrupt processes but also liberty, democracy, accountability, justice and the relationships among them. Those ideas not only have long intellectual pedigrees that are only partially incorporated into the corruption debate; in political and historical terms, they come from somewhere and embody specific interests. Much the same can be said for 'civil society', a touchstone of reformers and many scholars but also a diffuse ink blot of an idea that has undergone a variety of reinterpretations. Civil society may do many fine things, particularly in more settled market democracies, but if we claim that weak civil societies facilitated corruption, might we in some circumstances be blaming its victims? A 'vibrant civil society' cannot simply be called into being or deployed as a reform cure-all, because we might think it is a good idea.

The social dimension

If corruption is not a national attribute – or if, at the other scale extreme, it is not just a result of the ways incentives and constraints affect individuals – we would do well to pay more attention to middle-level social processes. By that I mean the ways in which corruption is an outcome of choices and actions, as well as of attitudes, expectations and levels of trust, arising in the course of interactions among individuals and groups. Such issues are critical to reform as well: checking corruption is difficult, time-consuming and often risky; if others succeed I may well benefit whether or not I have been involved. Why, then, should I become an active reformer? Indeed, fighting corruption may well entail giving up various petty benefits I now receive, or anticipate, and potentially plunge me into an immediate future of considerable risk. If I do not trust my neighbours (much less other ethnic groups across the river) to do the same, why should I be the lone good citizen? As Ostrom (1998), Rothstein (2005) and Teorell (2007) have pointed out, we might be able to build institutions or agree upon compacts that will share such risks, but building those institutions in itself entails yet another layer of collective-action difficulties.

Similarly, we have much to learn about the implications of social networks, social capital, inequality and the immense range of concerns we call 'culture'. Might *guanxi* (the complex webs of friendship, reciprocity and influence found in Chinese societies) simultaneously facilitate some kinds of corruption while discouraging cheating and defections among the participants in a scheme? Do the length and strength of family networks affect the time horizons or conceptions of fairness involved in dealings – corrupt or otherwise – among equals? Do cultural factors mitigate or intensify collective-action problems in various

settings? Neither whole-system perspectives nor 'micro' models of incentives handle such questions well.

Short of the comprehensive tactics used by Lee Kwan Yew in Singapore – a mix of undemocratic authority and economic development made feasible by the small scale of that society and made compelling by the challenges of national survival – any effective anti-corruption strategy requires broad-based action, trust and commitment. That is all the more true in cases where reform amounts to mobilising the weak and divided against the strong and entrenched. Reformers have a way of making these problems worse by portraying reform as a public good – better governance and a brighter future for all – instead of looking for creative ways to engage self-interest. Material benefits will often be in short supply on the reform side of the ledger – after all, anti-corruption groups are supposed to be opposed to patronage practices, which in any event are more likely to be monopolised by those in power. But there are other sorts of incentives and appeals too, many of them social in nature such as recognition, prestige, social activity and even just the sense of no longer being alone (Johnston and Kpundeh 2002). Can corruption scholars identify new and enduring ways of engaging self-interest and building trust, particularly in post-conflict or otherwise fragile settings?

At a more general level, that line of inquiry encourages us to ask how corruption has been checked in the past and what role political conflict and contention have played in such processes. Comparative histories of corruption and reform are scarce but would be invaluable; among other things they might be an effective response to the current reform tendency to begin with controls (legislation, civil society efforts, transparency measures) that were more likely the outcomes of political changes checking corruption than the causes of such changes in themselves. We might also come to a better understanding of social, non-legal values and restraints, such as reciprocal obligations: patrimonialism and *guanxi* both involve reciprocal expectations as well as opportunities for gain (Pitcher et al. 2009; Smart and Hsu 2009). 'Private governance' (see, for example, the analysis of corporate governance and reform in Vagliasindi 2011) is not just part of the contemporary neo-liberal toolkit but rather a phenomenon that in some forms predates the modern state. Similarly, a more subtle analysis of where 'civic' values and notions of accountability originate and of what sustains and undermines them would make for fascinating historical, developmental and comparative research.

Analogous networks and connections of a much more sinister sort emerge the closer we look at organised crime and shadow economies. Both received considerable attention from corruption scholars interested in the communist and then the formerly communist world (see, for example, Varese 2001). Insights from that work might well be parlayed into a way of understanding transnational and private-sector corruption in the increasingly (if unevenly) liberalised and privatised global economy. As the earlier comments about various sorts of trafficking, money-laundering and complex financial dealings suggest, aspects of that global system might actually be the biggest shadow economy of all; can we map it out and understand its processes? In some respects, international boundaries between the public and private sectors, and between political and economic power, are weakening or vanishing as rapidly as are national borders (Wedel 2009). Who, if anyone, rules that emerging system, can anyone actually govern it, and what rules could they follow? Are any effective norms in that system even remotely public in origin and intent, or do they boil down to economic variations on Omertà – the legendary codes of honour and silence concealing organised crime? Are notions of transparency anything more than elaborate smoke screens, and are there any counter-vailing forces worth discussing?

Reform: what do we want to see?

If we hope to reduce corruption, what should take its place? A government with significantly less corruption, whatever that means in practice, would not necessarily be more just and accountable. It could well turn out exploitative decisions with consummate efficiency, or at least be even more remote and unresponsive than what we see now. A promising new stream of research offers fresh thinking about reform: if we agree that 'less corruption' is where the conversation starts, not where it leads, and that 'good governance' as a response is neither very detailed nor very sensitive to a range of key values, then . . . what?

One provocative and very promising perspective on the issue is to emphasise not just 'corruption control' but rather the quality of government (Rothstein 2011: Chapter 1 *et passim*; for a somewhat different approach, see Spector 2012). Rothstein's conception of high-quality government is unapologetically process-oriented, emphasising the importance of impartiality – in an interesting way, a suggestive variation on Warren's (2006) view of corruption in a democracy, noted above, as 'duplicitous exclusion'. From that central notion it is not difficult to link to values such as trust, predictability, equality (in several senses) and the inherent value of human beings. Much less easy is deciding how to get there, what must be done first versus later versus never and how we can build support for the steps we advocate. But it will be easier to move ahead if we have a clear conception of where we are headed, rather than a focus on what we do not like about the current situation.

Rothstein's arguments may well be unsatisfying for anyone wanting to focus on civic virtue, or to fight corruption through high-level morality campaigns. But a focus on the essential and the attainable has been all too rare. Another variation on these concerns, one not at odds with Rothstein's but perhaps proceeding by alternative routes, is the focus on halfway situations: perhaps, rather than urging India or Nigeria to be like Denmark, the point should be getting to a situation where corruption comes in less disruptive and exploitative forms. Johnston's (2005) view of collusive 'Elite Cartel' corruption as a tolerable resting place on the road to more comprehensive reform is one such argument and at the very least poses questions about how we might envision alternatives to the worst abuses. A more comprehensive view is Merilee Grindle's intriguing notion of 'good-enough governance' (Grindle 2004, 2007), a state of affairs falling well short of the ideal yet allowing effective poverty reduction to proceed.[7] Either idea, or improvements upon them, might be preferable to continued talk of 'zero-tolerance' policies or calls for 'political will'.

Susan Rose-Ackerman reminded us long ago (1978: 90) that any analysis of corruption requires 'a standard of goodness'. Peter Bratsis (2003) in effect asks what the good society might look like – to which we might add, who gets to decide? One response is to hold the anti-corruption movement up to its own proclaimed ideals. Mlada Bukovansky (2006) has examined the continuing anti-corruption debate in terms of what it conceals as well as what it proclaims and suggests that a renewed emphasis upon republican political thought and values can not only address the movement's many gaps and contradictions but also highlight the gaps between what Western societies imagine themselves to be and what many of them are in practice. Perhaps that line of research can also help us understand the surprising murkiness of the boundaries defining corruption in those 'influence market' societies (Johnston 2005: Chapter 4).

Measurement: assessing at least the outlines of the problem

Measuring corruption has always been a major challenge. Corruption is usually a clandestine activity; unlike many forms of conventional crime, there is usually no immediate victim with

a stake in filing a report. Indeed, all who know of an episode of corruption will often have powerful reasons to keep it secret. Add to that the nagging problem of definitions, and we can see that valid and reliable direct measurement is likely impossible. But then how can we compare cases, and trace causal connections, in ways that rise above pure description? How can reformers know their controls are having any effects at all, be they positive or negative? How can we determine what works and reliably estimate unanticipated consequences as well?

So pressing are those questions that for all their shortcomings, country-level corruption indices based on opinion surveys and expert judgements are more widely used than ever.[8] Those indices, however, have significant validity problems and, in the case of the CPI, should not be used to track changes over time (even though they frequently are used to make such claims); to the extent that they can tell us about levels of corruption, they are far too general to be of much use to reformers. Perceptions, particularly when given prominent press attention around the world, are tenacious things; officials in a number of poorly rated societies complain that even ambitious efforts at transparency and reform fail to 'move the needle' in terms of their countries' index scores, and Andersson and Heywood (2009) show how CPI scores could well become self-fulfilling prophecies. A positive point, however, is that the indices have helped put corruption on page one, particularly in societies whose regimes had rather not discuss the matter at all. A full discussion of the merits and shortcomings of corruption indices lies beyond the scope of this chapter, but suffice it for now to say that while they have sparked useful discussions and path-breaking research they have also, in the course of those debates, revealed their defects.

Better in several respects are surveys of households, small businesses and public officials. Such surveys have been carried out with varying degrees of regularity in a large number of countries. (On household surveys as compared to expert surveys, see Roca 2010.) Compared to perceptions of whole countries, they are more direct and nuanced. But surveys can also be expensive – particularly if administered repeatedly in order to track trends – and in some settings might be quite risky to compile and publish. More indirect measurements have considerable potential, however. Over years, various versions of the Milken Institute's Opacity Index (Kurtzman and Yago 2008), for example, have used data on risk-sensitive aspects of international lending and business to estimate the costs (such as higher interest rates paid on sovereign debt) attributable to poor governance, weak transparency and corruption. A different proposal is to gather data on routine government activities and services (Johnston 2009, 2010) – for example, how much time and how many steps does it typically take to obtain a licence. Such data, benchmarked among agencies and over time, cannot tell us how much corruption occurs but offer one estimate of the effects of past corruption (venal bureaucrats, knowing they can use delays to extract bribes, add needless requirements), and of some of the incentives sustaining it in the present (businesses, knowing that time is money, pay up in hopes of faster action). As a measurement that approach is indirect – it is at best an educated guess about the location and seriousness of vulnerabilities to corruption – but it can identify specific agencies and processes that need attention, indicate promising courses of action (where an agency routinely pays too much for diesel fuel, bring prices down to a reasonable benchmark), and can be tracked over time to reveal progress – or lack of it. Improved performance – for example, evidence that variances in tax assessments or overpayments for basic commodities are decreasing – could send powerful signals to analysts that a given agency or jurisdiction is worth study for its reforms and to would-be grafters that the scope for illicit payments is being squeezed out of official processes. Moreover, positive data trends might allow successful leaders and managers to claim credit for their efforts, a far

stronger incentive to 'political will' than moral arguments alone. Whatever the strategy, procurement data and processes ought to be a prime focus for anyone concerned with measurement and reform.

A related approach, tried with considerable success in Latin America, is the Public Expenditure Tracking Survey (PETS). First developed in Uganda in 1996, PETS projects 'trace the flow of resources from origin to destination and determine the location and scale of anomal[ies]'.[9] Regular surveys can identify 'hot spots' in terms of poor performance and citizen dissatisfaction, highlight chronic administrative problems and assess whether public resources actually go for intended uses. Where expenditures reliably produce high-quality results, or where there are sustained positive trends, the scope for corruption has likely been reduced; sectors with chronically poor performance should become prime targets for analysis and reform. PETS surveys have been used in conjunction with Quantitative Service Delivery Surveys (QSDS) to evaluate education services on such criteria as teacher absenteeism and 'leakage' of funds (Equip2 2005; Reinikka and Svensson 2003).[10] Such projects in education have been conducted in at least thirty-five countries, including PETS surveys in Honduras, Nicaragua and Peru, and QSDS efforts in Bolivia, Colombia and Honduras (Reinikka and Smith 2004; Kanungo 2004). Surveys such as PETS and QSDS require significant organisational capacity and can be expensive – between US$50,000 and $100,000 per administration (Equip2 2005: 3) – but are innovative ways to bridge the measurement gap.

The 'Citizen Report Cards' project in Bangalore, India, that for a number of years gathered data on public services for consultation among officials and citizens, has been widely discussed (Paul 2002); more recently, 'Social Audit' projects in other parts of India have performed similar functions in an open-meeting format.[11] But new technology may hold unusual promise for both assessing possible effects of corruption and for understanding the issue as citizens experience it. A number of projects have begun to make use of social media such as Facebook, dedicated websites, text and Twitter reports and on-the-spot 'exit polls' at public offices to gather data on the quality of services and facilities, experiences with corrupt demands and the quality of treatment by officials. Examples include Bribespot projects in several countries and Ipaidabribe.com in India.[12] The 'Shudify' project (Madhusoodan 2011; Times of India 2011) (the term is derived from the Hindi word for 'purity') in Bangalore gathers data by face-to-face 'exit polls' at government offices and maps out district-by-district performance and corruption ratings. Such 'crowdsourcing' efforts to gather corruption data will be unsatisfying to anyone seeking better country-by-country corruption indices; moreover, grass-roots data-gathering efforts in authoritarian settings may well be risky and vulnerable to official manipulation. Still, for analysts and reformers searching for evidence that is high in validity and rich in nuance – and, it should be added, that can be gathered at low cost – crowdsourcing holds considerable promise.

Back to the future

Whatever the future promise of new technology, however, some of the work that needs to be done will require subtle thinking about the past. One theme with considerable potential, for example, is the way our basic conceptions of corruption and reform originated and have evolved. While many reformers have long seen corruption as defined by overarching moral values and have held that protecting government from political interference is a critical anti-corruption goal, a broader historical view might show that the very idea of corruption has political roots. Ideas about corruption and good government, in this view, originated when people asserted limits upon the power and actions of those who governed them, often

out of self-defence and in the course of fundamental political contention over power and its limits (a provocative version of such arguments appears in Acemoglu and Robinson 2012). Looked at that way, key concepts of corruption and reform could scarcely be any more political.

Understanding those issues in their context may well encourage a revival in interest in classical notions of corruption, good government, just regimes and accountability. As Bratsis (2003: 10) points out, 'There is a significant and much neglected difference between modern and premodern understandings of corruption. The modern understanding of corruption. . . . is directly tied to the rise of the organisation of social life and interests by way of the categories of the public and private.' With that transition came a shift from broader moral conceptions of corruption towards those that are increasingly, and are by now almost exclusively, material or money-based (Hirschman 1977, as cited in Bratsis 2003: 14). From there it is not a long leap to the sorts of technical and index-driven outlooks on corruption and reform that are dominant, but in some important respects unsatisfying, today.

It follows that we ought to be able to say more about where public–private boundaries and distinctions originated, how they are put in place and what interests are involved in reshaping those frontiers. Dobel's classic discussion of Athenian thinking on the issue might be a very good place to start. He outlines a view of corruption as a collective state of being, not an endlessly parsed–out attribute of a particular action or individual, as a regime's loss of capacity to inspire 'civic loyalty' (Dobel 1978: *passim*). In an age when large numbers, even majorities, in many democracies regard the role of money in politics as corrupting key democratic values, even when no laws are being broken, such a perspective deserves our attention. As Mark Warren (2004) and Mark Philp (2001) have shown, there are opportunities for rich and important connections among the study of corruption, the sources and meaning of such ideas within regimes of many sorts and basic concepts of democratic theory and republican thought. That sort of analysis will not only be of considerable inherent interest but will also help the contemporary policy debate lift its sights above and beyond the discussion of technical issues and incentives to include some of the basic concerns – fairness, justice, human dignity and the capacity for self-government – that make corruption worth studying in the first place.

Conclusion: what should researchers hope to accomplish?

The more critical aspects of the foregoing should be seen in their context – not only as the subjective views they indisputably are but also as a critique offered by a friend of both the scholarly and reform streams of corruption debate. Those movements have accomplished much, for all their limitations; they have depth, sophistication and force that could scarcely have been envisioned a generation ago. Thus, clear-cut improvements on them will be no simple task. The hope is that taking a metaphorical step back and looking both forward and backward with a renewed appreciation for the complexity and historical lineage of the problems that concern us will be a healthy exercise. That both movements are becoming more self-critical is a very good thing; a key challenge, as with reform itself, will be to keep that critical impulse anchored in the realities of corruption problems and of the global forces that drive them.

One clear and attainable goal, however, is to open up a much more polycentric debate. That will require, among other things, developing a conversation less dominated by affluent liberal democracies and the international institutions they have built, one that is more inclusive of arguments originating in other societies. Scholars and citizens in Abuja, Manila

and Bogotá have spent a great deal of time listening to those of us based in the North and West; not only making those conversations more equal exchanges but also sparking new ones in which Pakistan talks with Argentina and both exchange ideas with Thailand, is a worthy challenge. Two issues that might be particularly useful in broadening the debate are the study of corruption within news and communication media – an emphasis that might have several dimensions, including the diffusion of corruption ideas, symbols and knowledge – and more perceptive analysis of natural resource issues including, but not limited to, 'oil curse' metaphors. Both would demand a repertoire of cases broader and deeper than what we usually employ now, and both would encourage a fresh look at the role and problems of Western, as well as of developing, societies.

As we become more aware of the experiences of citizens as they cope with the problems that concern us and with work being done outside the current mainstream of scholarly centres and networks, we will all be intellectually enriched. That emphatically is not to say that all opinions are created equal, or that magical concepts and remedies will quickly – indeed, ever – emerge. But if questions of corruption, and of what to do about it, have any importance at all, it lies in the ways in which the humblest are treated by the most powerful and in the ways the power to govern complex societies can be contended over, conferred, used and checked in ways that protect basic human rights and dignity.

Acknowledgements

Notes

1 An anecdote: my proposal to schedule a scholarly panel on corruption at an American Political Science Association annual meeting in the mid-1980s drew the following response: "Thank you for your proposal. The _____ section of next year's program, however, will be devoted to issues and topics that raise important questions of theory and analysis. Since political corruption does not raise such questions, we will not be able to include your panel on the schedule.'

2 Available online at http://cpi.transparency.org/cpi2011 (accessed 25 September 2012).

3 15 USC §§ 78dd–1, *et seq.*

4 My thanks to the late Clifford Geertz for his comments on that point in the course of a 2002 seminar.

5 My thanks to Mlada Bukovansky for her comments on that point.

6 My thanks to Francesca Recanatini for drawing attention to the broader implications of business influence over institutional structures.

7 In the latter of her two discussions Grindle (2007) retreats somewhat from her broader conception of good-enough governance, but the argument still has great value in terms of how we should think of the alternatives to corruption, and how reformers should understand themselves and their roles.

8 Available online at http://info.worldbank.org/governance/wgi/index.asp (accessed 25 September 2012).

9 The World Bank, 'Public Expenditure Tracking Survey (PETS)'. Available online at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0, , contentMDK: 20507700~pagePK: 148956~piPK: 216618~theSitePK: 410306, 00.html (accessed 25 September 2012). That website contains several documents illustrating PETS methodology.

10 The World Bank, 'Quantitative Service Delivery Surveys (QSDS)'. Available online at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0, ,

contentMDK: 2046719.~ isCURL: Y~ menu PK: 1108016~ page PK: 148956~ PiPK: 216618~ the site PK: 490130,00.html 00.html (accessed 25 September 2012). There too a number of illustrative reports are available.

11 On successful Social Audit projects, see the United Nations Public Administration Network website: http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN024251.pdf (accessed 25 September 2012); *Samar* magazine website: www.samarmagazine.org/archive/article. php?id=128 (accessed 25 September 2012); *India Together* website: www.indiatogether.org/stories/ ncpri.htm (accessed 25 September 2012).

12 The Bribespot website recently displayed corruption reports from at least sixteen countries; see http://bribespot.com (accessed 25 September 2012). The Ipaidabribe.com website contains a variety of reports, news items and background data. See http://ipaidabribe.com/ (accessed 25 September 2012).

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20

GENDER AND CORRUPTION

Lena Wängnerud

New direction, old puzzle

Hanna Pitkin, in her book on gender and politics in the thought of Niccolò Machiavelli, states that '[f]rom the beginning of Christianity, woman was not merely Eve the corruptress but also Mary, the mother of God's only begotten son' (Pitkin 1984: 201). In Pitkin's analysis of the symbolic representation of women in Machiavelli's work, the picture that emerges is one in which 'corruption consists in a falling away from virtù and is generally the work of feminine powers' (1984: 242).

Pitkin thus offers a discourse on gender and corruption in medieval thinking. However, if we turn to a different part of the world during a period of democratisation, we find that in the early twentieth century, Japanese suffragist women attempted to 'gender' the discourse of democracy, creating a divide between 'pure' women and 'impure' men (Tamanoi 2009: 808). According to Tamanoi (2009: 805), the suffragettes succeeded in removing corrupt officials from Tokyo city assemblies.

What can be learned from Pitkin and Tamanoi's accounts is that metaphors can play an important role in how we approach issues of gender and corruption, which remains a fertile field for discourse analysis. This chapter focuses on research examining whether there is more to the story than metaphors or stereotypical beliefs about male and female behaviour. Whilst the first systematic empirical studies of these questions appeared around the turn of the millennium (and therefore gender research is considered a 'new' direction in corruption research), as Pitkin's reference to Eve suggests, the puzzle is an old one.

This chapter begins by discussing existing empirical 'gender and corruption' research. It is argued that whilst this literature points fairly consistently towards a view that women are on average less likely to engage in corrupt acts, the causal mechanism underpinning these associations is difficult to assess. It is argued that a greater emphasis upon conceptual reasoning could provide a useful way forward in unravelling the observed connections. This chapter begins – but cannot finish – this task.

Early empirical studies

It was the article 'Are Women Really the "Fairer" Sex? Corruption and Women in Government' by David Dollar, Raymond Fisman and Roberta Gatti at the Development Research Group of the World Bank that sparked empirical research on gender and corruption. The article was published in the *Journal of Economic Behavior and Organization* in 2001, but the main results had, through draft versions, been disseminated before that. In that same year, 2001, another research group with a connection to the World Bank, consisting of Anand Swamy, Stephen Knack, Young Lee and Omar Azfar, published a study with similar results in the *Journal of Development Economics*. Both articles have been influential, and they constitute the point of departure for most current research in the field.

The article by Dollar et al. presents a large cross-country study and establishes that the proportion of women in parliament has a significant effect on corruption, even when other factors, such as overall level of social and economic development, political and civic freedom, average years of schooling and ethnic fractionalisation, are taken into account (Dollar et al. 2001). The core measurements consist of an index of corruption based on the International Country Risk Guide, the World Bank and figures for the percentages of women elected to national parliaments from the Inter-Parliamentary Union database.[1] The article is rather short, and the point is to prove the expected relationship: that higher rates of female participation in government are associated with lower levels of corruption.

In this first study, the assumption that women are more honest than men was never tested but was underpinned by results from previous research suggesting, for example, that women are more likely than men to exhibit 'helping' behaviours and to base voting decisions on social concerns (Eagly and Crowley 1986; Goertzel 1983). The study has been accused of bringing forward stereotypical beliefs about women as a new 'anti-corruption force' (e.g., Goetz 2007). One reason for this criticism might be the lack of thorough theoretical reasoning. Dollar et al. point to the need to be cautious when interpreting the results, and at the same time they state that 'there may be extremely important spinoffs from increasing female representation: if women are less likely than men to behave opportunistically, then bringing more women into government may have significant benefits for society in general' (Dollar et al. 2001: 427–8).

The study by Swamy et al. utilises a wider range of data and is more complex in design. Swamy et al. do a cross-country comparative study using data from the International Country Risk Guide, the World Bank and Transparency International's Corruption Perceptions Index as measurements of corruption. They distinguish between different forms of female participation: women government ministers, women in national parliaments and women in the labour force. Since all gender factors display significant results on the level of corruption, the researchers merge these categories into a 'women's participation index' (Swamy et al. 2001: 43) when they do multivariate analysis and control for a set of 'standard' variables (GNP per capita, average years of schooling, ethnic and religious factors, colonial history and political freedoms), to show that on average greater female participation results in less corruption.

Swamy et al. also use micro-data from the World Value Surveys, in which respondents were asked their opinions on the acceptability of various dishonest or illegal behaviours. Moreover, they use micro-evidence from a World Bank study of corruption in Georgia which included a survey of 350 firms. This shows that firms owned or controlled by men are less likely to 'never' pay bribes than those owned or controlled by women, even after controlling for the size, ownership, sector and scope of the firm and the education of the manager-owner (Swamy et al. 2001: 34–5). Finally, they added data on the changes in women's position and

the extent of corruption within countries over time. They emphasise the use of 'several distinct data sets' and 'careful analyses' when they underpin their argumentation:

> We are making a simple point: to question the central finding of this paper, one needs to argue that the results of careful analyses of several distinct data sets have, by sheer fluke, all been biased in the same direction. Our conclusion, that there is indeed a gender differential in tolerance for corruption, is more plausible.
>
> *(Swamy et al. 2001: 25)*

This study, however, like the study by Dollar et al., also lacks thorough theoretical reasoning. Swamy et al. suggest a number of hypotheses:

- that women may have been brought up to be more honest or risk averse than men;
- that women, who are typically more involved in raising children, may find they have to practise honesty in order to teach their children appropriate values;
- that women may feel that laws exist to protect them or, more generally, that girls may be brought up to have higher levels of self-control than boys, which is assumed to affect women's propensity to indulge in criminal behaviour.

(Swamy et al. 2001: 52)

The quotations selected from these early empirical studies illustrate that the authors rely heavily on the strength of the empirical evidence. The hypotheses brought forward highlight aspects of socialisation, such as that women have been brought up to be more honest and law-abiding than men. Later studies in the same vein have continued to flesh out the argument. For example, in a study using data on eight western European countries from the World Values Survey, covering the period 1981–99, Torgler and Valev (2006) examine relationships between gender and age. The results show that older individuals of both sexes have similar, more strict, moral perceptions than younger people; young men are singled out as the deviant law-breaking group. Torgler and Valev get back to the suggestion by Swamy et al. that the causal factor is lack of self-control among young men. Torgler and Valev point to corruption as a propensity to commit criminal acts and refer to the finding by criminologists that there is a rather universal gender gap in crime.

Criticism: pushing the field further

Studies by Dollar and Swamy, and their respective research groups, may have become influential due to the combination of a new approach, the gender perspective and multivariate controls founded in mainstream corruption research. Both research groups are aware of strengths and weaknesses of their studies, and it should be mentioned that Dollar et al. address the issue of a potentially unobserved variable that is causing both high female participation in government and low corruption (Dollar et al. 2001: 427).

It is equally important to note that there are few studies that reject the presented relationships. However, a number of authors have criticised these early studies regarding their failure to address the possibility of reverse causality: political regimes committed to impartiality and probity might also provide opportunities for women to attain positions of political power. Hung-En Sung, one of the most fervent critics of the research initiated by Dollar and Swamy, suggests that 'gender equality and government accountability are both great achievements of modern liberal democracy' (Sung 2003: 718).

Sung (2003), much like Swamy et al. (2001), uses the Corruption Perceptions Index from Transparency International and distinguishes between different forms of female participation. Most important is that he introduces a number of liberal democracy indicators such as rule of law, freedom of the press and electoral democracy and presents them as part of an alternative explanatory theme. This is different from using variables as 'controls' since it heightens the status, theoretically and empirically, of the selected indicators.

In brief, the conclusion from Sung's study is that when liberal democratic institutions are controlled for, gender factors drop dramatically in both statistical significance and substantive relevance. However, the dispute about causality is not yet settled. More research is needed to reach any final conclusion. The main dividing line brought forward so far is between a theoretical perspective in which gender and corruption are seen as parallel phenomena without much connection, highlighting a spurious correlation and a theoretical perspective highlighting effects of socialisation/sex roles in society.

Sung's study is important, and it pushes the field further since it addresses the need for theory development and rigorous testing. Another strand of research that pushes the field further relies on a theoretical perspective that views the relationship between gender and corruption as having to do with opportunities to commit 'criminal or reckless acts' (Torgler and Valev 2006: 138–9). What is highlighted in this research is that women usually earn less money than men and that, due to family responsibilities in the private sphere, they are also less involved in public matters. Naci Mocan (2008: 495) develops the logic behind the argument: 'All else the same, highly educated and high-income individuals should have higher exposure to being asked for a bribe by a government official because of their higher earning capacity and because they are likely to have more opportunities to interact with government officials.'

Theories of opportunity structures basically comprise two versions, one focusing on conditions in the everyday lives of citizens and one focusing on conditions in the decision-making arena. In a study from Ghana, Namawk Alhassan-Alolo (2007) concludes that, when exposed to an opportunity involving corruption, women in public life do not prove to be any less corrupt than men. This conclusion is supported by a study of clientelist practices among male and female political candidates in Thailand (Bjarnegård 2009). Anne-Marie Goetz (2007: 99) opposes 'myth-making' about male and female nature in corruption research and suggests as an alternative approach examining differences in how men and women are recruited to political positions: 'The point is that the ways women are recruited (or not) to the leadership and rank-and-file of political parties restrict their opportunities for engaging in corrupt activities. These restrictions have to do with women's relative exclusion from male patronage networks, and the sexual danger associated with inclusion.'

It is a common understanding in corruption research that it is important to focus on corrupt subsystems, sustained by the collective action of interest groups that benefit from the corruption. The expression 'old boys' networks' is sometimes used to illustrate the endurance of these subsystems and the fact that, in most countries, there are relatively few women in positions of power. There is an analogy here with the research on gender and crime that points to the fact that one of the most significant gender differences in crime is the overwhelming dominance of males in organised illegal activities (Steffensmeier and Allan 1996: 466).

In sum, recent research pushes the field further but it does not overrule the initial findings that there is a relationship between gender and corruption.[2] One problem here is the increasing diversity concerning data and design. Diversity can be a sign of creativity, but it can also signify a lack of communication between research groups. The following sections will discuss methodological challenges and suggest ways forward for theory development. Table 20.1 presents an overview of the main hypotheses in research on gender and corruption brought forward so far.

Table 20.1 Main hypotheses in research on gender and corruption

Theoretical perspective	Effect of gender on corruption	Driving forces
Liberal democracy	Gender has no independent effect on corruption; spurious correlation	• Liberal democracy is the driving force behind election of a high number of women, as well as good governance
Socialisation/sex roles	Gender has a direct effect on corruption	• Risk behaviour/lack of self-control: men dominate most criminal activities • Role as caregiver: women exhibit more social/helping behaviour
Opportunity structures	Gender has an indirect effect on corruption	• Women are, due to family responsibilities, less involved in public affairs • Women, when they enter decision-making arenas, tend to be excluded from 'old boys' networks'

Comment: This is a schematic presentation of perspectives presented in the text.

Methodological challenges

Currently, more and more studies in the field use experimental designs to assess the relevance of the gender perspective. The overall impression from these studies is that gender in its pure or basic sense has little impact. Namawk Alhassan-Alolo (2007) has used vignette-style scenarios to collect data from public servants (seventy-eight males and fifty-seven females) in two public institutions in Ghana: the police service and the education service. Respondents were presented with imaginary scenarios involving corrupt conduct by officials – for example, accepting a gift in the course of public duty – and they were asked to express their level of approval or disapproval for each one. It was found that females did not demonstrate higher ethical standards than men.

Along similar lines, a study on ethical decision-making behaviour within organisations in the USA showed that, based on sex alone, there are no differences between men's and women's ethical perceptions. Yet, when a multidimensional approach to gender is applied, results show that expressive traits and egalitarian gender-role attitudes contribute to both men's and women's propensity to perceive unethical workplace behaviours as unethical (McCabe et al. 2006).

The methodological challenges revealed here are twofold. First, the categories 'women' and 'men' are not stable. There is a need to develop instruments to measure the interplay between social background characteristics and attitudes that might affect ethical behaviour. Second, the impact of context needs to be measured in a more precise way than at the country level. From the study in Ghana, Alhassan-Alolo (2007: 236) concludes that when exposed to collectivist cultures that expect public servants to honour certain obligations, both male and female officials could use their positions to fulfil social contracts at the expense of public-sector ethics. Goetz (2007: 101) points out the need to distinguish between male- and female-dominated working environments 'in a female-dominant working environment, or where women professionals are dealing with women clients or with a socially inferior class, women

professionals are not averse to extorting unofficial "payments" for services that ought to be provided as a right'.

This is in line with the reasoning in a report from Transparency International dealing with gender and corruption in the public sector. This report suggests that corruption levels in the public sphere have more to do with group dynamics than with gender (Mukherjee and Gokcekus 2004). One interpretation is that the interactions discussed are about reciprocity (Gintis et al. 2005). To some extent, corruption presupposes a kind of mutual understanding between the parties, and that is likely to be more easily created if you belong to the same clan, ethnic group or (why not?) sex. Especially in countries with large differences in terms of gender equality, it might be difficult to establish mutual understandings and necessary partnerships between women and men.

Moreover, context at the national level might mean the study of norms. In a recent paper, Boris Branisa and Maria Ziegler (2011) bring in a variable that captures the level of discrimination in society. They use data from the OECD Development Centre to measure social institutions related to gender inequality. The results show that levels of corruption are higher in countries where social institutions deprive women of their freedom to participate in social life, even when accounting for democracy and representation of women in political and economic life as well as for other 'standard' variables. They conclude that 'in a context where social values disadvantage women, neither political reforms towards democracy nor increasing the representation of women in political and economic positions might be enough to reduce corruption' (Branisa and Ziegler 2011: 1).

In sum, experimental designs are interesting since they suggest that gender differences found in previous research may not be nearly as universal as stated in some of the early writings. Experimental research thus provides grounds for rejecting a unified gender perspective. Contextual approaches add to the complex picture through the close look at the dynamics at work in concrete situations. The question of whether there is a link between gender and corruption seems less relevant today than when empirical research in the field started. The methodological challenge is to design studies that can capture when and why gender has an effect. In order for this strand of research to develop, researchers also need to explicitly address issues of theory development.

Suggestions for theory development

Concept clarification

There is a need to develop fine-tuned understandings of the relationship between gender and corruption. So far, no definition of corruption has been presented in this chapter. An important element for theory development is, naturally, to make clear whether one is talking about grand or petty corruption, corruption in the private or the public sector.[3] However, the quest for concept clarification is common for most strands of corruption research. What may be particularly pressing for gender-oriented research, however, is the need to widen the perspective beyond money-based forms of corruption to include other forms. In a study of the implementation of welfare reforms in Mexico, Hevia de la Jara (2007: 68) has documented cases of recipients, most of them women, being asked to do extra work for the city, such as cleaning and sweeping streets, in order to avoid losing benefits. Goetz (2007) points to sexual danger for women in patronage networks, and sexual abuse might be seen as a manifestation of corruption.

A framework for multiple gender theories

What is perhaps even more important than clarifying concepts is developing a framework in which multiple theories can be used to study the relationship between gender and corruption. The mechanisms at work might, for example, differ between the decision-making arena and most people's everyday life situations. Taking a bird's-eye view to research in the field, it also seems relevant to distinguish between different spheres of decision-making. Different studies use different designs and methods of data analysis, but the impression is that studies focusing on the electoral arena tend to report effects of gender on corruption, whereas studies focusing on the bureaucracy tend to report no such effects.

It is reasonable to believe that gender is intertwined with logics operating in different spheres of society. Thinking about it, what is the *raison d'être* in electoral politics? Isn't it to make a difference, to spark change? And, for the bureaucracy, isn't it to adjust to standard operating procedures? These kinds of norms or logics may affect the likelihood of attributes such as gender being exploited or not. Thus, one way to move ahead is to abandon the idea of a monolithic gender theory that can be applied in all situations. At the same time it is useful with collaborations that enable coherent theoretical thinking. We want to know why the effect of gender varies between different settings.

A rationality perspective

Even though theoretical perspectives in previous research differ on important points, they tend to describe passive rejection among women as the mechanism at work; women are either socialised to be more compliant and law-abiding than men or they are locked out of 'old boys' networks'. I believe that research in the field would benefit from asking questions about conscious reasoning. It is possible that, when calculating costs and benefits, women more often than men actively choose to abstain from corrupt behaviour.

A study at the subnational level in Mexico found that regions in which higher numbers of women were elected at the municipal level displayed lower levels of corruption than regions in which lower numbers of women were elected (Wängnerud 2010). Mexico is a country in which corruption is rife. In her extensive study, *Women in Contemporary Mexican Politics*, Victoria E. Rodríguez (2003) finds that it is common among women politicians in Mexico to have been actively involved in social movements. It has been suggested (Wängnerud 2010) that in order to reach and hold on to positions of power, women might seek to build alternative power bases. Democratic developments open doors for women to enter the public sphere, but women's connections with the surrounding society might still differ from men's. There is evidence that social movements serve the role of watchdog for abuse of public office. Engaging in corrupt behaviour would then be particularly risky for women politicians since doing so could ruin their chances to gain support in future political races.

At a citizen level, one has to deal with the fact that women, in most countries, make up a majority of the poor. They have fewer assets than men, whether in terms of cash, land or other resources. At the same time, women are most often responsible for the well-being of the family. In her book, Rodríguez (2003) refers to a number of studies that highlight the difficulties women in Mexico face in trying to make ends meet. If corruption is viewed as an extra expense, leaving less money for food, schooling and clothing, it becomes quite understandable that it would be rational for women to abstain from corrupt behaviour or 'negotiate to pay the least they can' when confronted with bribery demands (see also Guerrero and Rodríguez-Oreggia 2005: 17).

So far, this rationality perspective is rather speculative, but it can be tried out in future studies. One advantage of this perspective is that it does not assume women to have higher inherent ethical standards than men but instead introduces the aspect of agency. The point of departure is that the different positions women and men hold in society affect them in fundamental ways. Most contemporary societies are structured around sex, and that structure coincides with structures of power. Thus, women may have particular reasons to reject corruption, both at the individual level and through different forms of collective action.

Integration with closely related areas of research

It should be remembered that the gender perspective represents a new direction in corruption research, and therefore it should come as no surprise that some results are 'speculative'. A closely related area of research with a longer tradition is gender and crime. Some references have already been made to this area; however, findings among criminologists could be used more extensively in corruption research.

In the article 'Gender and Crime: Toward a Gendered Theory of Female Offending', Darrell Steffensmeier and Emelie Allan (1996) ask whether gender-neutral or gender-specific theories hold the most explanatory promise. The 'gender-equality' hypothesis states that gender differences in crime will converge as male and female roles become more similar. Data support that, over time, the proportion of women arrested for economically motivated crimes in categories that require little or no criminal skill has increased (Steffensmeier and Allan 1996: 471). This is due to changes in merchandising and credit that have given women greater access in their roles as consumers and heads of households (Steffensmeier and Allan 1996: 471). The data mainly reflect the situation in the USA, but building on these research findings it could be hypothesised that petty corruption is an area where we can expect the gender gap to close up as women's positions in society change in relation to men's.

At the same time, it could be hypothesised that no such 'closing of the gap' will occur in relation to grand corruption. Steffensmeier and Allan (1996: 466) state that 'women are far less likely to be involved in serious offenses, and the monetary value of female thefts, property damage, drugs, injuries, is typically smaller than for similar offenses committed by men'. The most significant gender difference – and here the authors notice no changes over time – is the overwhelming dominance of males in more organised and highly lucrative crimes, whether based in the underworld or the 'upper-world'.

One could ask about the extent to which corruption is different from other forms of illegal activities. Steffensmeier and Allan (1996: 473) conclude that traditional 'gender-neutral' theories provide reasonable explanations of less serious forms of female and male criminality. However, they also ask for a truly gendered approach in which the routes to crime for women and men are studied in detail. The elements that are suggested to be included in such a model are, for example, motivation for crime (willingness to take risks, degree of self-control and costs versus rewards), criminal opportunities (underworld sexism, access to skills, crime associates, spinoff of routine activities) and context of offending. The authors also point to the need to study biological factors and the organisation of gender in society beyond the criminal/illegal sectors (Steffensmeier and Allan 1996: 474–5).

Theoretical models should not get too complicated, but Steffensmeier and Allan provide a coherent line of thinking that can be used as a reference point in corruption research. In a similar vein, the research area of risk analysis could be used more extensively in corruption research. It is a recurrent finding that women, generally speaking, tend to be more anxious than men, and studies in risk psychology suggest that this anxiousness stems from feelings of

vulnerability (O'Connor and Bord 1997). The link to corruption is largely unexplored, yet every bribe paid is a form of risk-taking. Anxiousness is sometimes related to physical attributes, women generally being physically smaller/weaker than men, but women may see the world as more dangerous just because they benefit less from current institutions and policies and, generally speaking, have less power and control over what happens in their communities and their personal lives (Slovic 1999).

Why we should care about the link between gender and corruption

Why should we care about the link between gender and corruption? The short answer is that it tells us something about how societies progress. Future research is needed, however, in order to state more precisely what it tells us.

A study at the subnational level in Mexico was discussed earlier; this study found that Mexican regions and states in which high numbers of women were elected at the municipal level displayed lower levels of corruption than regions and states in which low numbers of women were elected (Wängnerud 2010). From my point of view, the very fact that patterns previously found in cross-country comparative research are repeated at the subnational level strengthens the relevance of the gender perspective.

The study from Mexico is preliminary, and there are deviant cases, such as regions and states with high numbers of women elected and high levels of corruption. What characterises those states is a socio-economic situation much worse than that of the states with high numbers of women elected and low levels of corruption. One lesson that could be learned from this is that it has to be recognised that actors who want to bring about progressive changes are sometimes faced with overwhelming obstacles; when inequality is high and progress towards modernisation is slow, it might be extremely hard to pursue good governance.

This chapter ends with an example from a different part of the world: Sweden. Sweden is generally seen as a role model for other nations when it comes to transparency and good governance. In 2011 Transparency International ranked Sweden as one of the least corrupt countries in the world (after New Zealand, Denmark and Finland). Against this backdrop, it is intriguing that a substantial number of political representatives in Sweden perceive corruption as a rather prominent feature of Swedish society. Perhaps even more intriguing is that there is a considerable gender gap in this respect. In 2011, the United Nations ranked Sweden as the most gender-equal country in the world.

In 2010, a survey was conducted among Swedish Members of Parliament (Wängnerud et al. 2010). One question asked, 'How widespread do you think bribe taking and corruption are in Sweden?' The results indicate that female political representatives perceive corruption as more widespread than their male counterparts: 65 per cent among women, compared to 51 per cent among men, indicate that 'a few' or 'most' public officials in Sweden are engaged in corruption.

It is perhaps even more interesting to note the gender gap among political representatives in Sweden when it comes to perceptions about the future for the Swedish political system. Respondents were questioned about how big a worry they thought increased corruption was for Sweden going forward. Respondents could indicate whether they perceived it as 'very worrying', 'fairly worrying', 'not very worrying' or 'not at all worrying'. The results show a significant gender difference: 55 per cent of women, compared to 39 per cent of men, in the Swedish parliament expressed worry about the future of the country's political system in this respect. The difference between women and men holds even when controlling for factors such as left–right ideology, number of years spent in parliament and age.

The results from Sweden are of general interest since Sweden could be seen as a critical case; Sweden is, by most standards, a highly gender-equal and well-functioning society. Even though we do not know why we find these gender differences among Swedish political representatives, the results point to the need to study the link between gender and corruption in a variety of contexts and not only in those countries, like Mexico, that are among 'the usual suspects' in the field.

Notes

1 See Part III of this handbook for a discussion on measuring corruption.
2 Additional studies that report gender differences in corruption, with women as less corrupt than men, are Bailey and Paras (2006), Melnykovska and Michailova (2009) and Treisman (2007).
3 See Part I of this handbook for a discussion on definitions of corruption.

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21

BEHAVIOURAL AND INSTITUTIONAL ECONOMICS AS AN INSPIRATION TO ANTI-CORRUPTION

Some counterintuitive findings

Johann Graf Lambsdorff

Introduction

When I was about twelve years old, growing up in Frankfurt, Germany, I had an experience that I would not want to have missed. My mother asked me to look for a pair of trousers for myself at the shopping malls, all assembled in a crowded pedestrian zone. The many oncoming pedestrians turned this into a demanding exercise. It became increasingly annoying to step aside again and again. More troublesome was the fact that I was at a disadvantage as a twelve-year-old. There seemed to be a secret hierarchy at work, informing others that a twelve-year-old would have to give in and let others enjoy the right of way. The more this happened, the more I thought about how to challenge the privilege enjoyed by all others. I tried to insist on my right but observed that the insistence of others was more forceful. I then thought about a more tricky strategy, which generated the first field experiment of my life. It required all the courage available to a normal twelve-year-old. I closed my eyes and held both hands across my face to signal all oncoming pedestrians that I would be unable to observe them and react. I continued walking with some discomfort. If others would insist on their privilege, we would bump into each other. But luckily they did not. They took notice of the fact that I was unable to recognise them and stepped aside. They yelled at me but avoided the collision. The result was a tremendous success.

   Successful strategy choices can sometimes be of this type. Think about an army general. Most of us will think that his success crucially depends on his leadership quality, technical expertise and his braveness that correspond to the loyalty towards his country. But this accounts only to a fraction of his success. His strategic competence is the other part, his capacity to disguise and mislead his enemies. And this capacity involves some unexpected actions. He may deliberately worsen the options that are at his disposal. After crossing a bridge with his troops he will burn the bridge. This sends two signals, one to his troops that they can save their lives only by defeating the enemy and another to the enemy that a retreat is impossible.

These unusual strategic moves have been first systematically studied by Schelling (1960: 22, 195–6). Overtly worsening the outcome of specific options can strengthen one's position.

Criminal behaviour sometimes involves the same logic. How would you qualify as a member of the Mafia? Even if you rarely thought about this career, you may easily imagine some options. You would have to make a clear commitment of your loyalty and, for example, assure your future bosses that you are not a wimp or, even worse, an undercover agent. But this requires a clear proof. You have to do something that disloyal and half-hearted applicants will shy away from doing. Mafia novices thus commit a murder. This is not something many undercover agent would be willing to do, as the law does not provide pardon to such behaviour. The murder provides superiors with evidence against the new member, rendering disloyal future behaviour unlikely (Gambetta 2009: 61–2). The Mafia may obtain no monetary or reputation benefit from this murder. It exposes some of its members to an increased risk of detection. It incurs a cost without a direct benefit. In a game theoretic perspective, it lowers payoffs for one strategy (namely disloyalty) without increasing payoffs for other strategies. But precisely due to this the murder operates as a credible commitment by rendering loyalty the dominant strategy.

Or think about a kidnapped person that considers her chances of being released by the kidnapper. What may keep a kidnapper from killing her? She may identify him afterwards, exposing the kidnapper to the risk of prosecution. The victim may promise to remain silent when being questioned by the police. But such promises are hardly credible. One strategy could act as a remedy: she may commit a crime, such as the killing of other victims, and provide the kidnapper with evidence against her, this way ensuring her future silence (Schelling 1960: 44).

Corrupt transactions often entail some similar twists. Imagine a bribe-taking bureaucrat who can either take cash without leaving any trace. Alternatively, he may provide the briber with documents and incriminating evidence. At first glance you may assume that the first option, avoiding any evidence, is preferable. But you are wrong. A bureaucrat can easily be imagined to prefer the latter option. Handing over some evidence to his counterpart strengthens the bonds between the contracting parties. The bureaucrat becomes a credible partner because cheating would be risky. The evidence, alongside with the government's sanction, lends credibility to the bureaucrat's promises. The bureaucrat deliberately worsens one of his options. He then lives at the mercy of the briber, who may employ the evidence to turn in the bureaucrat. This worsened option provides a strategic advantage to the bureaucrat by helping enforce the corrupt transaction.

Ironically, the threat of legal punishment even contributes to this strategic advantage. It helps the bureaucrat become a trusted criminal. The bureaucrat can ensure criminal complicity not in spite of but as a result of the threats of legal punishment. Is there something government can do to avoid this?

Most of us tend to think about anti-corruption as a matter of personal integrity and institutional rigour. We request personal characteristics similar to those of an army general. Leadership, loyalty and know-how should account for most of the job. But there are some wicked but successful strategies that we tend to disregard, just because they do not conform to the stewardship that we expect from a virtuous person.

Contrary to leadership figures that deserve loyalty we think of corrupt people as amoral, selfish and only in search of their own advantage. This viewpoint may not be completely wrong, but it misses how they carry out transactions with each other. They must establish trusted reciprocal relationships and commit to a criminal career. They burn bridges, just to become credible to each other. As we will see, some laws that aim at fighting corruption even assist criminals in burning bridges. What reforms are needed? How can we maintain bridges back to the legal system, such that criminals can end their criminal career?

This study claims that some unusual strategies in fighting corruption are necessary. Key to anti-corruption is an understanding of how corrupt transactions are enforced, how corrupt reciprocity may be at play and support an exchange between bribe-givers and bribe-takers. Basically, there are two forces that help criminals enforce their transactions. First, they might succeed in committing to a criminal career, finding strategies that render them dependent on each other. This is the strand investigated by institutional economists. Second, they may be able to cultivate sentiments of reciprocity. Conditions for such sentiments have been investigated recently in the laboratory by behavioural economists.

These experimental studies provide a rich toolbox. As surveyed in Lambsdorff (2012), they reveal how officials may be intrinsically motivated to deliver a decent service, in particular to a principal who pays them well, suggesting that sometimes superiors are better off trusting their subordinates rather than harassing them with too much control. It also reveals how citizens are willing to participate in unbiased decision-making processes, are willing to negatively reciprocate when being treated badly by corrupt leaders, but also that countries where levels of corruption are high, citizens ostracise the group-minded for showing their moral superiority rather than the free-riders. But these issues on reciprocity by agents or citizens are not further explored here. This study focuses instead on reciprocity by perpetrators. It seeks to combine insights from institutional economics and behavioural economics to see how perpetrators design institutions and cultivate reciprocal trust.

Corrupt reciprocity

Bribe-paying companies are often betrayed. After receiving a payment, public servants and politicians fail to deliver the promised service. Other companies are extorted, threatened with criminal prosecution or forced to pay another bribe. The *Wall Street Journal* cites from the prosecutorial investigation of M. Kutschenreuter, an executive manager at the German company Siemens. A former Saudi Arabian local representative, whose contract had been cancelled by Siemens, was supposed to have blackmailed the firm. He requested more than US$900 million as hush money and threatened to pass on documents about corruption by Siemens in telecommunications contracts to the US Securities and Exchange Commission otherwise. In negotiations, both sides agreed on a payment of US$50 million.[1]

This case is symptomatic for corrupt transactions. The risks of mutual betrayal are manifold. Corruption requires criminal expertise. Money flows must be camouflaged, measures against blackmailing must be taken and, foremost, the enforcement of promised services must be ensured. Those who engage in this business delve into a criminal sphere in which networks are as important as mutual trust. Trust, on the other hand, can be complemented by credible threats to retaliate malfeasance. Lack of trust, luckily, can deter corruption.

This conjecture is in line with empirical evidence. There is a strong correlation between the likelihood to pay a bribe and the confidence in corrupt reciprocity. Herrera et al. (2007) investigate the link between the size of bribes, the impediments to doing business and the predictability of corruption. Using firm-level data on the reported payment of bribes by the 2000 World Bank Business Environment Survey, they report that the frequency of bribe payments is higher where corruption is predictable, that is, where the size of the payment is known in advance and where public servants deliver as promised. Lambsdorff (2007: 190–208) reports similar findings, referring to cross-country data.

A more recent and even more compelling piece of evidence can be observed by using data from a 2009 worldwide survey of households (Transparency International 2009). Households in sixty-six countries have been asked, first, whether they paid a bribe in the past twelve
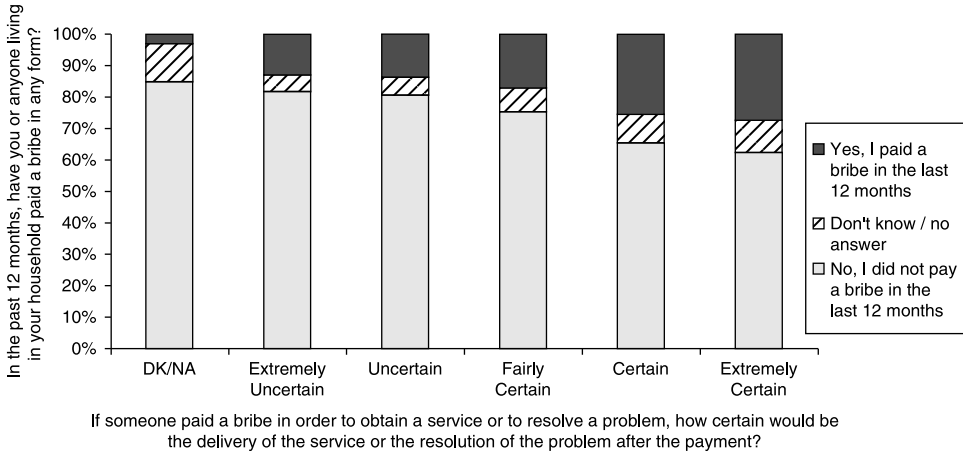
Figure 21.1   Uncertain reciprocity reduces bribery. Survey among 70,110 households in sixty-six countries, own research based on Transparency International Barometer 2009.

months and, second, whether the delivery of the corrupt service is certain after making such payments. As shown in Figure 21.1, the likelihood of paying bribes increases considerably with the certainty of delivery. Among households that are extremely certain about the delivery, 28 per cent pay bribes. But only 13 per cent of households pay bribes if they are extremely uncertain whether a bribed public official will deliver the corrupt service.[2] Experiments provide complementary evidence.

Some experiments on corrupt reciprocity

To illustrate the importance of reciprocity, take a quotation from Holger Pfahls, who was charged with taking bribes during his time as state secretary for defence in Germany from 1989 to 1992 (Lambsdorff and Frank 2011: 124). He was accused and found guilty of accepting the equivalent of almost €2 million from German–Canadian businessman Karlheinz Schreiber to push through a deal to deliver thirty-six armoured vehicles to Saudi Arabia that required support by the German government. In court, Mr Pfahls provided the following description of the alleged briber (own translation): 'Schreiber told me that I was just one out of many who receives bribes. When Schreiber hates someone, his hatred is so profound that he wants to destroy him, even if that involves his own demise. On the other hand, he is a real buddy, highly talented in creating a pleasant atmosphere.' Mr Schreiber is portrayed as a person committed to reciprocity. He is kind to friends but retaliates when being cheated. This reciprocal attitude, alongside with being perceived in such a way, serves as his device to enforce transactions.

Recognising such motivations has changed economists' (and many others') view of man (Camerer 2003; DellaVigna 2009). Humans are not only driven by self-regarding motives but also by social motives. The preference function is more complex, including inequality aversion and reference points that invoke reciprocal action when being disappointed. They include ethical considerations and intrinsic motivations. Experiments on corruption show that this paradigmatic shift can be relevant for anti-corruption. It can explain why some corrupt acts are enforced by the power of reciprocity, even if explicit commitments are absent. Reciprocity, in a word, exists but it falls short of operating with certainty.

The extent of illegitimate reciprocity is investigated in a field study on Japanese sumo wrestling by Duggan and Levitt (2002). The authors report about wrestlers' urgency to win the eighth fight out of fifteen in a tournament in order to advance in ranking and observe that few end up with only seven victories. This opens the door to collusion as wrestlers can trade the more valuable eighth victory against a less important victory by the opponent. A higher probability of winning may already result if one side was better incentivised. But the authors also show that in a succeeding match the opponent is more likely to win, this way being reciprocated for his willingness to lose. This finding suggests that tacit or explicit collusion is partly responsible for the findings.

Due to the difficulty of enforcing corrupt transactions, these are often carried out only among insiders, limited to a network of trusted actors and repeat customers (Lambsdorff 2007: 136–63). This generates a form of inefficiency of its own. Efficient firms may not obtain contracts when they are not part of a trusted circle of insiders. Even if they are willing to pay bribes, they are set at a disadvantage. Insiders to a corrupt network are preferred because applicants are screened according to the likelihood to reciprocate favours. An interesting experiment on this issue is reported by Banuri and Eckel (2012). They run a trust game in the USA and Pakistan. Subjects in the role of a truster pick with whom to play a trust game, either with a peer from their own primary group (determined by student's association to university groups) or with an anonymous player from the population. Choosing a peer may enhance confidence that investments will be reciprocated but comes at a cost, resembling the fact that nepotism reduces competition and diminishes the chances of contracting with high-quality applicants. The authors find that peers are chosen by 44 per cent of subjects in the USA and by 69 per cent in Pakistan, revealing that nepotism is less pronounced in the USA.

Some novel recommendations for reform

These findings provoke a novel approach to reform. The frequency of bribery can be reduced by rendering reciprocity uncertain, by undermining the stability of corrupt transactions (Lambsdorff 2007, 2009). Corruption can be hindered by seemingly immoral acts. This is an idea that is standard to economic researchers. Outcomes desired by society can be achieved without altruistically motivated individuals. In the words of Adam Smith (2007: 16), 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.' The invisible hand of market competition assures the desired outcomes. A mechanism is in place that substitutes for a lack of individual morality.

This poses the question whether we have a similar mechanism at our disposal for ensuring good governance. Can there be good governance without benevolent politicians and without altruistic public servants? Competition does not represent this type of mechanism. For example, corrupt politicians may have an edge over their honest competitors in gaining funding, compromising stakeholders or selling future perks. But we may employ a reverse type of morality: we may encourage those who operate in the shadow of the law to betray each other. Those who give and take bribes would then punish each other as part of their self-interest-seeking. Actors who are willing to engage in corruption would then end up as victims of betrayal. They may fail to profit from bribery and lose their reputation for honest business. Abstaining from corruption may then be motivated by self-interest. Temptations to give or take bribes may be rejected not due to a moral concern but because of the inherent uncertainty that surrounds such deals.

A plethora of proposals emerge once approaching corruption from this perspective. For example, due to the uncertainty of corrupt transactions these are often arranged by

specialised agents, experienced in camouflaging, avoiding extortion, giving legal appearance to seemingly corrupt deals and to enforcing illegal transactions. Intermediaries enjoy the advantage of being return customers. While a stranger may easily be cheated, intermediaries promise future business and can spread one's reputation as either being a cheater or an 'honest' criminal. Making life harder for intermediaries thus deserves to become a more prominent approach to reform (Lambsdorff 2013). Intermediaries may be required to register their business and be subject to annual auditing, making sure that they do not pass on parts of their commissions as bribes.

Some experimental studies have been conducted related to intermediaries. These reveal how responsibility diffuses when decisions are delegated to third parties. We judge acts differently when we did not commit them ourselves. We carry a lighter moral burden if third parties commit the misdeeds on our behalf (Hamman et al. 2010). This insight has been applied to corruption by Drugov et al. (2014). They find that (students in the role of) citizens more often engaged in bribery when this was carried out via intermediaries. In addition to this (students in the role of) officials determined a minimum bribe, below which they would reject the offer, and this level was lower when the bribe was paid by an intermediary. This implies that intermediaries also reduced the moral burden for bribed officials. This reinforces the need to come forward with stricter regulation for intermediaries.

Equally important is the observation that not all penalties and all types of deterrence are advisable. This is particularly apparent with rigid gift-taking limits. Such measures may render the minor sinners dependent on a briber. After an innocent error they become hostage to someone who was feeding them with a gift beyond the allowed limit. For many this marks the start of a corrupt career. Their initial infraction turns them into reliable partners for future corrupt transactions. The gift-limit rule serves to strengthen the stability of future corrupt transactions rather than helping the minor sinners protect their integrity. Instead of rigid rules, it is superior to train employees to deal with conflicts of interest, to sort out a possible previous mistake and to return to a life of integrity. In contrast to this, those who feed public servants and bring them into dependence deserve harsh penalties rather than the backslapping they sometimes encounter.

Gender equality

Gender equality has been found to be closely related to the success in fighting corruption. There is significant evidence that a larger share of women in the working population and in parliament goes along with lower perceived levels of corruption, alas, with uncertain causality (Swamy et al. 2001). But causation has been ascertained in experimental investigations, which revealed that women differ in their reaction to bribes.

An important gender effect seems to relate to the preference for reciprocity. Cox (2002) finds a higher tendency of men to reciprocate in experimental trust games. Lambsdorff and Frank (2011) play a simple one-shot bribery game in a lecture hall and find twenty-one men out of seventy-six to reciprocate a payment that was framed as a bribe but only five women out of ninety-six. This is in contrast to sixty-two women who cheat the briber while only thirty-nine men opt for this type of cheating. Men have a higher sense for positive reciprocity. But they may also have a higher fear of negative reciprocity, which was also part of the game, as bribers were given the option to exercise costly punishment. This option was exercised by sixteen (31 per cent) out of fifty-one cheated men but only by five (16 per cent) out of thirty-two cheated women. Similar gender effects are also reported by Rivas (2013), who runs a more complicated game across many periods. This suggests that women may be

preferable for routine inspections, in workplace situations that are comparable to the anonymous setting that was tested in the experimental laboratory. Only men appear to be in need of clear gift–limit rules, given that they cannot resist reciprocation after taking gifts.

The four-eyes principle

Subjecting individual decisions to peer review is a standard organisational method. Individuals may tend to follow narrow, selfish interests which may overshadow the pertinent concerns. Having a second, independent person supervise a decision is seen to ensure that a control mechanism is in place. Reports on anti-corruption in the public sector thus often emphasise a rigid application of the four-eyes principle as a method for containing corruption. Bribing two, it seems, is more demanding than bribing just one decision-maker.

What appears most intuitive to the layman has been critically challenged by laboratory experiments. Schikora (2010) employs a game similar to the one by Lambsdorff and Frank (2011), allowing bribe-takers to cheat the briber. He compares a treatment played among individuals with a treatment where officials decide in groups of two. Only if both agree to the bribe it will be accepted and rejected otherwise. This appears as a safeguard against corruption, because consent among two corrupt officials is required to arrange a bribe. Nonetheless there is more bribery in the group treatment. This can be traced to the fact that the game is played repeatedly such that issues of reputation become salient. Schikora reviews experimental evidence that groups are more self-seeking than individuals and they are better at cultivating a reputation for reliable reciprocity. The mutual control exercised between two actors backfires, because rather than serving the public it is employed to serve the actors' corrupt reputation. This piece of research thus casts doubt on naive expectations towards the four–eyes-principle. How peer-review should be organised to better contain risks of corruption will have to be food for future research.

Leniency provision

Investigating criminal reciprocity has also widely inspired legal reform. Rather than deterring bribery by help of detection and punishment the idea is to seek methods for inhibiting corrupt reciprocity and rather encourage corrupt actors to cheat each other. Bribery differs from many other forms of crime in that it involves two perpetrators. It suffices for law enforcers to convince just one of the perpetrators to collaborate and self-report. Take a simple thought experiment. A briber is allowed to keep the awarded contract and entitled to claim back the bribe if he reports the infraction to prosecutors. Bribery and subsequent reporting is turned into an attractive strategy. Such a provision would be quite unfair but also quite effective. A bribe-taker will recognise these incentives and fear the increased probability of detection, suggesting that bribes should be rejected (Yadlin 2006). A simple game certainly does not capture the many methods employed by bribers to render their deals enforceable. Involving officials in repeated exchange or engaging criminals who threaten cheaters are just a few of the many methods. But these strategies are risky and costly to bribers (Lambsdorff 2007: 136–63). Self-reporting combined with leniency should thus be a valuable tool to destabilise corrupt transactions. Contrary to this, if both briber and bribe-taker face identical penalties, these embed the two perpetrators into mutual dependence and silence.

But leniency programmes must be fine-tuned if not to backfire. Feess and Walzl (2004) warn us that incentives given to those who report should not be excessive. What is even more important is how to deal with perpetrators who cheated each other. Imagine that a briber still

waits for his contract to be awarded and fears the bribe-taker may cheat. Will the briber be entitled to obtain leniency in exchange for reporting? Apparently, this type of leniency would backfire. If those who were cheated are invited to report, bribe-takers will not dare to cheat. This type of leniency would enhance corrupt reciprocity and support the enforcement of bribe transactions (Buccirossi and Spagnolo 2006; Lambsdorff and Nell 2007). Some respective experimental evidence has been collected lately.

Engel et al. (2012) compare a punishment regime where briber and bribee are sanctioned symmetrically with another, often observed in reality, where the briber is less severely punished, reducing his costs in case of reporting. They observe more whistleblowing by cheated bribers in the second regime. As a result, officials are reluctant to cheat bribers and reciprocate more often. Overall they observe that mild punishment of bribers brings about significantly more successful corrupt transactions. Schikora (2011) investigates behaviour in a more complex game where both, briber and bribe, can initiate a corrupt transaction. Corruption goes along with a monetary loss for the other player, thus representing the welfare loss of such behaviour. He obtains similar results. On the one hand leniency given to whistleblowers deters bribery. Players more often opt for a less profitable, non-corrupt type of behaviour that imposes no harm on others. Subjects in the role of officials are thus reluctant to ask for bribes as they fear reporting by the client (and vice versa). At the downside, once bribes are paid they are larger and more often reciprocated. Leniency offered to bribers who report their infraction thus helps stabilise corrupt transactions. Officials refrain from cheating bribers, taking or requesting bribes without delivering afterwards. Interestingly, this effect is more pronounced among men, confirming the above findings on gender effects. Men more often negatively reciprocate after having been cheated. Given his findings, Schikora paves an avenue for reform by help of a third treatment. Based on Lambsdorff and Nell (2007) he suggests an asymmetric design of penalties, giving leniency to a cheating bureaucrat who blows the whistle and allowing him to keep the bribe. Corruption was least frequent in this session. Bribes are rarely reciprocated but often accepted and reported. This type of an asymmetric design of sanctions successfully counters the stabilising effect of leniency.

There are two ideas on how to deter perpetrators while at the same time encouraging them to cheat each other. One option would be to grant leniency to any perpetrator, the briber or the bribe-taker, who can prove to have cheated their counterpart. While this option would also destabilise corrupt transactions, at the moment there is not country or institution where experience with such legal provisions have been gathered. More research and field studies are needed to turn this model into a feasible approach.

Another approach would be to penalise bribe-giving but not bribe-taking. In the 1990s in Chile the payment of a bribe was a criminal offence, but accepting a bribe was not unless accompanied by an abuse of office. Even today Chile's Codigo Penal, the criminal code, is strict on extortion, misappropriation, falsification of information and fraud, but little punishment is added when these infractions are carried out in exchange for a bribe (Rose-Ackerman 2010: 222). The advantage is that bribe-takers are free to cheat bribers, without fears of reprisal.

Why is Chile successful in fighting corruption? The country is widely perceived to exhibit low levels of bribery although it does not belong to the group of countries with a high per-capita level of income. Does the success relate to a high level of deterrence? The contrary seems to be the truth. In 2004 (and before) less than four people out of 100,000 were convicted for bribery, embezzlement or fraud, making Chile belong to the countries with the fewest convictions worldwide (United Nations 2007). Countries such as Denmark, Finland or Germany tend to convict fifty or more people, and equally high conviction rates can be found in Canada and central Europe.[3]
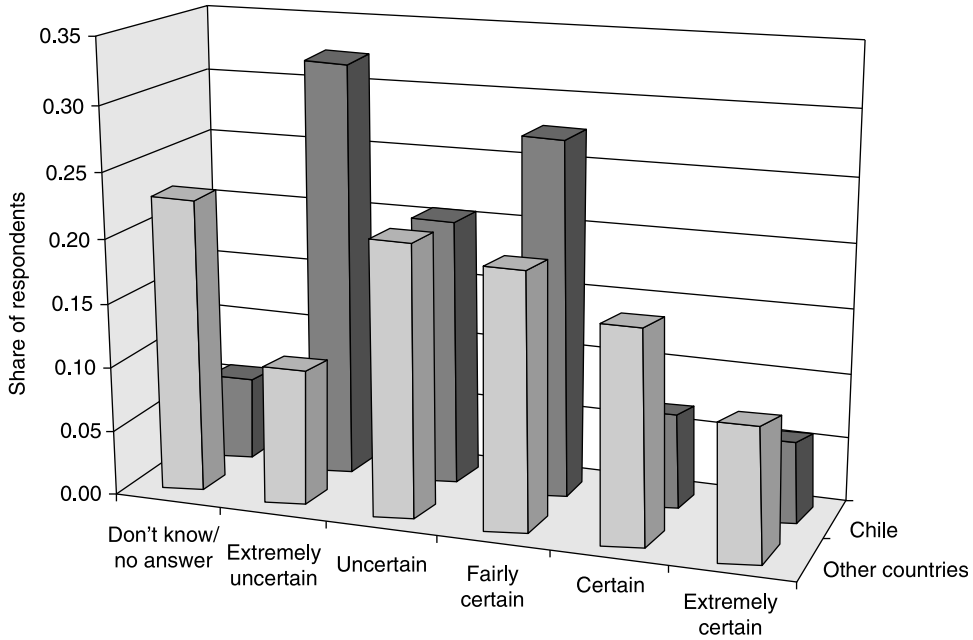
Figure 21.2 Corrupt reciprocity is uncertain in Chile. Survey among 1,001 Chilean and 69,109 households in another sixty-five countries. Own research based on Transparency International Barometer 2009.

One explanation might be Chile's described policy of penalising bribe-giving but hardly bribe-taking, which makes it attractive to take bribes without reciprocating them. Indeed, as revealed by Figure 21.2, Chileans are particularly uncertain with respect to corrupt reciprocity. More than 32 per cent of respondents state that after paying a bribe one is very uncertain about whether the promised favour will be returned. Among sixty-six countries this was the second highest value. A policy that effectively inhibits corrupt reciprocity rather than exercising zero-tolerance towards gift-takers is likely to explain Chile's success. Rather than focusing on a policy of zero tolerance, a trickier avenue is followed that proves to be successful.

Void or valid?

Courts commonly do not enforce agreements made by means of corrupt transactions. Instead, they follow the principle that those who operate outside the law cannot claim the law's protection. Corrupt contracts are thus null and void. The nullity of the corrupt contract often entails a further legal consequence: bribes cannot be reclaimed, irrespective of whether or not the promised corrupt favour was delivered. Such a consequence presents a severe risk to bribe-payers, evidenced in many cases of failed corrupt transactions (Lambsdorff 2007). This legal judgement by courts is important for anti-corruption as it helps to increase the risks for corrupt actors and thus serves to reduce corruption.

Some anti-corruption activists go further in their request for nullification. Consider a contract for government construction that is induced by a bribe to a procurement official. Pope (2000) argues that governments should have the right to declare the construction contract void. Alternatively, the nullity may result unconditional without a need for declaring it as such.

Contracts induced by a bribe would be annulled, either from the beginning (*rescission ab initio*), which implies that contract parties are brought back to the position in which they were before they entered into a contract, or for the future, meaning that any previous exchange as referred to by the contract remains valid (*termination ex nunc*) (Nell 2009). While the latter version endangers only future profits, *rescission ab initio* endangers the resources that a party invested into fulfilling a contract. Custom-built products are worth less if the contract with the customer is annulled. Transaction-specific investments lose value if the transaction is terminated. *Rescission ab initio* is thus particularly costly the more an investor has devoted transaction-specific resources to a particular contract. And provisions on rescission of contracts have become popular. For example, Article 34 of the United Nations Convention Against Corruption states:

> State Party shall take measures, in accordance with the fundamental principles of its domestic law, to address consequences of corruption. In this context, States Parties may consider corruption a relevant factor in legal proceedings to annul or rescind a contract, withdraw a concession or other similar instrument or take any other remedial action.

The risk of having one's contracts nullified hurts a company that opts for bribery. This is the good side of nullity. It adds to the penalties and helps deter bribery. Contracts that were induced by unethical behaviour can then be renegotiated and repaired. But there are various downside effects.

First, nullity is a binary decision that cannot be linked to the gravity of the offence. If a small facilitation payment was instrumental to obtaining a contract, nullity may be regarded as an excessively harsh legal consequence. One cannot soften the consequences of nullity, as it assigns legal rights to the contracting parties (sometimes also to competitors), which render the contract pending until mutual consent is achieved. Second, nullity implies that contracts must be renegotiated. If contracts were awarded as a result of a public tender, nullity may imply that this tender be repeated. But the costs and delay of such a repetition are avoided in practice and contracts simply renegotiated with the same contractor. But renegotiation falls short of the transparency and rigour otherwise exercised in public procurement and is thus prone to corruption. Third, companies that were honestly committed to avoid bribery but chose the wrong intermediaries or employees will suffer from nullity. Given the uncertain validity of their contracts they will become reluctant to make transaction-specific investments. Fourth, managers who detect bribe-paying among their employees face adverse incentives to investigate and report the evidence, fearing the nullity of their profitable contracts.[4] Fifth, and this feeds back into our focus on corrupt reciprocity, only companies that were successful in bribing are sanctioned by this type of penalty. Those that paid bribes but were cheated by an opportunistic public servant are not penalised by nullity. They failed to get the expected contract and the penalty of nullity is immaterial, implying that the deterrent effect of nullity contains an unusual bias. Sixth, as a result of this bias, the bribe-paying company retains the possibility to threaten self-reporting. As long as it did not obtain the desired contract it has nothing to lose and can credibly force the public servant to deliver the expected contract. Nullity thus operates in favour of corrupt reciprocity. It may stabilise corrupt transactions rather than inducing corrupt partners to cheat each other.

There are even some perverse incentives that originate from nullity. If the government is uncertain about the profitability of a contract, it may delegate negotiations to its most corrupt bureaucrats. Once these bureaucrats take bribes, rules on nullity provide the government with an unfair advantage. If the contract turns out to be unfavourable, the government can reveal the initial bribery to nullify it (Nell 2009). By threatening nullity, the government can also blackmail the contractor and negotiate better conditions. As a result, the government loses the incentive to prevent its bureaucrats from taking bribes. Overall, these concerns provide reason why also legal scholars advance arguments in favour of the validity of contracts obtained by help of bribery; for a review, see Raeschke-Kessler and Gottwald (2008) and Meyer (2011).

Unfortunately, no experimental evidence has been gathered on the effects of contract validity on corrupt transactions. This will remain a challenge for future generations in order to further improve the design of anti–corruption measures.

On the advantage of fines

The question is thus whether a different type of punishment should be preferred to the nullity of contracts. There appears to be good reason to follow economists' overall preference for monetary fines. Examples of such fines are manifold. The general terms and conditions of purchasing of the Deutsche Bahn AG (Allgemeine Einkaufsbedingungen AEB) determine a fine of up to 7 per cent of the gross accounted sum to be paid by a contractor who paid a bribe. Similar provisions can be found in the US Sentencing Guidelines. Also, the 'integrity pacts' by Transparency International take similar types of fines into consideration. Adequate in my viewpoint would be a fine of thirty times the amount of the bribe. Such a value would well correlate with the advantage achieved by help of bribery and clearly reveal the expected penalty at the time a businessperson considers the payment of a bribe.

Similar to other penalties, such as debarment or nullity, fines sanction companies. These companies should lose the incentive to instigate employees to pay bribes. But, compared to these penalties, fines offer some advantages. The circumstances for detecting the malfeasance can be taken into account. Imagine a manager who hears about allegations of a bribe that was paid by a subordinate to secure a contract, contrary to the company's policy. Should the manager investigate the case further, as required by his supervisory duty? Imagine that his company would face a penalty. Wouldn't it then be in the corporate interest to destroy all evidence rather than bringing them to light? Penalties imposed on corporations are then at risk of generating adverse incentives.

Incentives for self-reporting can be maintained by granting leniency to those companies that were successful in obtaining the desired contract and who come forward with evidence and self-report. Such provisions would enhance the manager's incentives to investigate the allegation, in order to secure the chance of lenient treatment for the company. Such leniency can be easily implemented with respect to fines. Contracts that specify fines can include a clause that they are reduced in case of self-reporting. Such provision, certainly, are also often included with respect to blacklisting.[5] But blacklisting tends to involve a considerable degree of discretion of the procurement agency. This may undermine a contractor's confidence that self-reporting would be sufficiently honoured. Monetary fines are also superior to a liability to restitute damages imposed on taxpayers who paid overinflated prices or received bad–quality work, or to competing bidders whose rights were violated by a biased bidding. Such a legal provision on restitution cannot be made dependent on a company's effort to come forward with evidence and report the infraction.[6]

Disclosure of conflicts of interest

There is widespread belief that transparency is a universal principle that helps in containing corruption. For example, we will find broad support for civil-society movements trying to hold government accountable by help of access to information. The belief in transparency extends even to areas where other types of recommendations remain controversial. For example, there is little agreement on best practice with respect to financing political parties, some favouring public funding while others are in favour of private funding. But it is widely agreed that political parties should publish how they are funded. Similar transparency is requested for the extractive industries and the contracts they sign with governments in resource-abundant countries, even if some of these contracts may be questionable on further grounds.

But some limits to this principle have been identified by institutional economists as well as behavioural economists. Institutional economists fear that rumours of perpetrations may serve to advertise corrupt opportunities. While proof of actual misconduct may be unpleasant, some gossip may serve to advertise corrupt offers to a broader audience (Lambsdorff 2007: 140). Transparent pieces of information would also be misused, for example, by serving to screen whether officials reciprocated. Should the individual votes of members of committees be published, for example in public procurement? While the public might then know whom to blame, a briber might also be informed whether he was served or whether he should ostracise the official instead. Transparency in such instances, it seems, must then be well designed to serve the interests of the public.

Loewenstein et al. (2011) wrote an even more disturbing study on the effects of transparency, stating that conflicts of interests should not always be disclosed. They report on experiments where 'advisers' should communicate to a 'chooser' the payoffs and risks involved with two options and submit a recommendation about which option to pick. While one option involves a higher expected payoff to the 'chooser', the other induces a bonus to the adviser, putting him or her in a conflict of interest. Contrary to rational expectations, revealed conflicts of interest increased rather than decreased the chooser's compliance with the recommendation. Choosers may have disliked insulting the adviser with the suspicion that the conflict of interest corrupted his or her behaviour. Other choosers may have felt pressured to reciprocate and to help the adviser satisfy his or her personal interests. These findings are in line with evidence obtained in the field. Voters often fail in showing the expected outrage to questionable behaviour of the incumbent government, their voting behaviour being often ambiguous, as reviewed by Hollyer (2012). Voters may continue sympathising with their preferred politicians and take a biased viewpoint towards revealed conflicts of interest.

'Choosers' also reported a lower level of trust in the 'adviser' if the conflict of interest was revealed. In a game framed as one between a doctor and a patient/chooser, they were less likely to seek the doctor's advice again in the future (Loewenstein et al. 2011: 425−6). This is strikingly in line with reduced electoral participation as noted by Winters et al. (2012), contrary to expectations that reports on corruption should motivate all voters to expel corrupt politicians from office.

Also the behaviour of 'advisers' is likely to differ once their conflict of interest has been disclosed. Loewenstein et al. (2011: 424) investigated this in another experiment. 'Estimators' guessed the value of a jar of coins, being paid according to the accuracy of their estimates. 'Advisers' were given better information and put into a conflict of interest with a payoff being made only if the estimator overestimated. When this conflict was concealed, the advisers mildly biased their advice. When it was disclosed advisers anticipated that their advice would

be discounted by the estimator and thus engaged in strategic exaggeration, biasing their decision even further. Estimators, however, did not discount enough and consider also the adviser's exaggeration. They ended up suffering from disclosure.

Overall, it must be feared that disclosure of a conflict of interest may undermine the motivation to adhere to professional standards. It may work only if it fosters improved regulation or clarification of societal norms. Transparency, it seems, is not a silver bullet.

Conclusion

Containing corruption obtains the dual challenge of deterring malfeasance but also paving a way for the minor sinners back to a life of integrity. This study showed that, rather than a policy of zero tolerance, some counterintuitive approaches are superior.

Just as army generals burn bridges behind them, some unusual strategies are helpful in fighting corruption. Some control mechanisms, such as the four-eyes-principle, may be inferior to cultivating trust. Contracts obtained by help of bribery should remain valid. Not all conflicts of interest should be disclosed. Leniency should be given to those who cheat their corrupt counterparts rather than to those who committed the less immoral violation. Gift limit rules may sometimes be eased, particularly for women, and officials be invited to cheat bribers. Officials should be punished for abuse of office but less for taking bribes. These are some of the challenging propositions that emanate from recent research in institutional and behavioural economics.

Contrary to these recommendations, legal reform is at risk of burning the wrong bridges, the ones that might bring compromised officials back to a life of integrity. A policy of zero tolerance forces the minor sinner into a criminal commitment. Lack of leniency for bribe-takers, as is imposed by strict gift-limit rules, burns the bridges and entrenches officials in a corrupt career. While it deters perpetrators, it also helps bribe-givers and bribe-takers enforce their transactions. If contracts obtained with illegal methods are declared null and void, this renders it difficult for companies to abandon a culture of bribe-giving.

Containing corruption will always require accountable leaders, courageous citizens, clear laws and professional officials. But in a complex social order some more wicked instruments are needed to support our fallible intuitions.

Notes

1 See 'At Siemens, Witnesses Cite Pattern of Bribery', *Wall Street Journal*, 31 January 2007.
2 In a binary probit regression, the independent variable of confidence that bribes are reciprocated being 'fairly certain, certain or extremely certain' impacts the dependent variable 'Yes: paid a bribe in the last twelve months' with a coefficient of 0.326 (standard error 0.016). The coefficient implies that the probability for bribing increases from 15 per cent to 25 per cent in case of confidence. This impact is robust to controlling for 'don't know/no answer' replies to the issue of confidence, tolerance towards bribe-giving, assessments of government effectiveness in fighting corruption and characteristics such as the household's country of residence, religious affiliation, gender, level of education, age or income. A note of caution must be raised with respect to causality. It cannot be excluded that those who pay bribes develop confidence in reciprocity. But also the opposite might happen with confidence diminishing where bribes were not reciprocated. This provides some confidence that causation will largely go from confidence to action. The countries included are Argentina, Armenia, Austria, Azerbaijan, Belarus, Bolivia, Bosnia and Herzegovina, Brunei, Bulgaria, Cambodia, Cameroon, Canada, Chile, Colombia, Croatia, Czech Republic, Denmark, El Salvador, Finland, Georgia, Ghana, Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Israel, Japan, Kenya, Kosovo, Kuwait, Lebanon, Lithuania, Luxembourg, Macedonia,

Malaysia, Moldova, Mongolia, Morocco, Netherlands, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Romania, Russia, Senegal, Serbia, Singapore, South Korea, Spain, Switzerland, Thailand, Turkey, Uganda, UK, Ukraine, USA, Venezuela and Zambia.

3   The data is not perfectly comparable across countries, owing for example to differences in the respective legal codes and in counting convictions when multiple crimes were committed. But the huge differences we observe are unlikely to relate to such issues alone.

4   The German company Siemens was investigated by prosecutors, the media and internal and external investigators because of slush funds that were being amassed to bribe officials. Reacting to public pressure in 2006, a new leadership at Siemens introduced immense efforts to comply with anti-corruption standards. This openness in dealing with the problem, however, generated its own problems. Many contracts that were obtained previously by way of bribery were nullified and had to be renegotiated, often to less favourable conditions. Other German companies did not follow the good example set by Siemens, fearing also that their contracts would be nullified. The behaviour of these other companies reveals how difficult a change in corporate behaviour can be and how this difficulty is aggravated by fears that contracts might be nullified.

5   The institutional economist will note further advantages of fines as compared to debarment. These advantages are similar to the ones of fines versus imprisonment (Becker 1968: 179–80, 196–7). Prisoners cannot continue committing crimes, while debarred firms cannot continue with bribery. But this advantage is minor if potential offenders do not differ in the morality and base their decision to offend purely on a cost–benefit analysis. Those inside and outside prison would exhibit an equal inclination to commit an infraction. Debarment then does not exclude those who are most likely to bribe in the future. This limits debarment to a punitive effect. But if the benefit of debarment is limited to this effect it is straightforward to observe that it performs worse than fines. This consequence arises because the costs of debarment, just like those of imprisonment, are higher than those of fines. Imprisonment requires expenditures on guards and supervisory personnel. Debarment has similar administrative costs and limits the public from giving contracts to a firm that may be best qualified. Debarment thus hurts both the company and the public by limiting competition. Fines are a mere transfer of resources. It should thus be apparent that debarment may at best be imposed on top of fines. They may be considered if fines are substantially limited by wealth constraints and thus insufficient to obtain an adequate deterring effect. As long as it is possible to increase deterrence by increasing fines, debarment should not be taken into consideration.

6   How to enforce such contract penalties and deciding on who should be the recipient of the fine remain more challenging legal issues. Another concern is also how to deal with contracts that are completely at odds with public interest. If governments negotiate and sign desperately overpriced, low quality contracts with sole source providers one must ask whether a newly elected government may be allowed to nullify such contracts *ex nunc*. One may easily agree that this should be allowed and that investors should not be entitled to sue for forgone profits, while considering whether they might be allowed to sue for their lost investment.

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22

RELIGION, ETHICS AND CORRUPTION

Field evidence from India and Nigeria

Heather Marquette

In 2006, in a speech given at the London School of Economics, Transparency International's (TI) former Chief Executive, David Nussbaum, argued for a new approach to combating corruption that takes into account the role that personal values play in moral decision-making related to corrupt practice. He explained,

> [i]n the case of values-based decisions like whether or not to bribe or accept a bribe, values and ethics can form a sort of threshold, establish under what emotional and external circumstances – if any – you may say yes. Your social environment, the level of trust you have in those around you, how you see this affecting people you care about, will also come into play; but your values will be a fundamental guide in making these decisions.
>
> *(Nussbaum 2006: 13)*

He highlighted research by the Federal Reserve Bank of St Louis that concluded that "'A belief in hell tends to mean less corruption and less corruption tends to mean a higher per capita income . . . therefore all else being equal, the more religious a country, the less corruption it will have and the higher its per capita income'" (cited in Nussbaum 2006: 14).[1] However, Nussbaum cautioned that he was not launching a campaign to promote belief in hell as a way to fight corruption but recognising that current anti-corruption approaches are not providing the level of success desired and are failing to examine why individuals choose to be corrupt.

Within some developing countries, there are growing calls for religion to be used in the fight against corruption. In Zamfara State, Nigeria, for instance, there have been several attempts to integrate local imams into the civil service to promote higher ethical standards. In Zambia, Vice-President Nevers Mumba 'challenged the Church to assist Government fight corruption . . . the Church [has] a mandatory obligation to assist Government in resolving such pressing issues' (*Times of Zambia* 2003). Similarly, Ugandan President Museveni, in a message delivered on his behalf by the Second Deputy Premier and Minister for Public Service Henry Kajura to pilgrims who turned up to celebrate Uganda's Martyrs' Day, called on the Church to help end corruption (Allafrica.com 2006).

Religious leaders have also called out to adherents to avoid corrupt activity. In 2002, Pope John Paul II called on Catholics to refrain from engaging in corrupt practices (CNN 2002;

CWNews 2003). In 1998 'the World Assembly of the World Council of Churches meeting in Harare, Zimbabwe called on its member churches to urge governments to take legislative action against all forms of corruption' (Beets 2007). Recently, in Cape Town, religious leaders came together with other civil-society organisations for a workshop called 'From Witness to Action: A Religious Leaders' Anti-Corruption Summit'.[2] Indeed, in many countries, religious organisations and faith-based organisations (FBOs) have been active in denouncing corruption.

It has been argued that in countries where religion plays a vital role in the lives of most people, many people, including public servants, are likely to derive their ethical framework in part from their religion. Religion provides many with an actual 'list' of rules to live by, some of which might be important to fighting corruption. The increasing attention given to the religion–corruption nexus stems from the argument that fairness and honesty form the basis of many religions, therefore religious leaders can be utilised in the fight against corruption (Luxmoore 1999). Two assumptions underlie this argument: first, 'faithful adherents to religion will refrain from corruption because of the inherent theft, dishonesty, illegality, and mistreatment of others; and second, those who are not faithful adherents of religions are more likely to engage in corruption because of an absence of religious guidance' (Beets 2007: 72). Contrary to these assumptions, most corrupt countries in the world (according to Transparency International's Corruption Perception Index (TI-CPI)) also rank highly in terms of religiosity (using indicators such as the Pew Global Attitudes Projects).[3]

Marshall and Van Saanen (2007: 231) write that, 'Because they have special "expertise" in values and integrity, and their extensive presence and reach, faith institutions, leaders and networks offer a powerful potential force in raising governance standards in the work of development.' This seems like common sense, but Polzer warns that corruption policies are often based on what Schaffer called the 'common sense policy fallacy' (2001: 22). Consequently, 'Policy is apparently innocent and non-problematic and is seen as something going on in a series of independently given realities. This common-sense model is faulty . . . and has "grave" consequences' (Schaffer 1984: 143–4).

Beets (2007: 72) argues that the influence of religion on corruption is not as well established as it is purported to be. In fact, Arruda (1997) contends that despite increasing adherence, passion and dedication to the Roman Catholic faith, especially in Latin America, corruption continues to thrive, unchallenged by faith. Similarly, the Philippines is engulfed in entrenched corruption despite high levels of religiosity:

> From Presidents to prostitutes, religion flows like a river through Philippine lives . . . Catholic worshippers in several towns re-enact the death of Christ by allowing themselves to be nailed to wooden crosses with stainless steel pikes. Others partake in a great upheaval of holy activity-preaching, praying, singing, dancing, kneeling and bowing.
> *(Mitchell 2001: 58)*

Conversely, Beets (2007: 72) argues that although Scandinavian countries are largely secular, with a declining influence of religion, they are among the least corrupt according to the TI-CPI. However, there is little sense in the literature to date of the need to break down what 'religion' means in developing countries. Is it the teachings that are important? Is it the moral framework? Is it the importance of leadership or the nature of the community? There are few studies, if any, that engage in this sort of analysis.

Just as there are religious leaders speaking out against corruption, there are also corruption scandals within religious organisations. In Andhra Pradesh, a priest at the world's largest

Hindu temple at Tirupati was arrested for selling temple jewels.[4] In Ghana, religious leaders spoke out against corruption within churches in that country (*The Spectator* 2009). In Brazil, the footballer Kaka was linked to a church where the leaders were convicted of money-laundering (Azzoni 2008: 7). In Nigeria, a pastor was suspended for embezzling millions of naira in church funds (Friday 2006). In Indonesia, the Corruption Eradication Commission (KPK) is currently investigating a case of alleged corruption in the Religious Affairs Ministry involved in procuring korans and in managing the multi-billion dollar haj fund (Junaidi 2012). Cases like these weaken calls for religious leaders to fight against corruption. Indeed, in a popular anti-corruption advertisement in India, sponsored by Tata Tea, a priest is one of many corrupt actors portrayed. This suggests that the relationship between religious leaders and corruption is more problematic than 'common sense' might suggest.

The chapter is divided into two main sections. In the first, I argue that the evidence and methodologies that have been employed so far to demonstrate a causal relationship between religion and either higher or lower levels of corruption are not convincing. The results are often contradictory, depending upon the dataset used, which raises important methodological issues. The data used is aggregated at the country level and cannot tell us anything about how individuals' attitudes towards corruption are formed, the impact of religious (and other socio-cultural) influences on the way that individuals condemn or justify corrupt behaviour.

The second section presents findings from a three-year collaborative research project on religion and attitudes towards corruption in India and Nigeria.[5] The research utilised a methodological approach developed by Pavarala (1996) in his study on elite attitudes towards corruption in India, because of its sensitivity to the phenomenon of corruption and the investigation of people's cultural practices and religious beliefs. This sees both corruption and religion as lived experiences where morality is constructed and constantly evolving and changing (Marquette 2010). To understand an individual's interpretations of the concepts and their own and others' social attitudes, qualitative methods were used (mainly semi-structured interviews, focus group discussions and textual analysis). The research consisted of semi-structured interviews and focus group discussions, involving 240 participants in total, as well as textual analysis.[6] This enabled the researchers to gain access to people's views on religion and attitudes towards corruption through personal interaction and dialogue between the researcher and the researched. In India, the research focused on two religions – Sikhism and Hinduism – with fieldwork carried out in Amritsar, a major city in northern Punjab, well known for being home to the Golden Temple, Sikhism's holiest shrine; Chandigarh, the capital of the region; and finally, Hyderabad, the capital city of Andhra Pradesh in Southern India. In Nigeria, the research focused on Islam, Christianity and African Traditional Religion (ATR).[7] In order to capture adherents of the three main religions in the country, four locations where they are predominant or active in tandem with other religions which are in the minority were selected for the research: Kano in the north-west (for Islam); Abuja, the Federal Capital, in the north-central (for all religions); Owerri in the south-east (for ATR and Christianity); and Ibadan in the south-west (for Christianity and Islam). Our sample included leaders and ordinary members of selected religious organisations, policy-makers and staff in selected public and corporate sectors, members of NGOs, youth, media persons, academics and those engaged in anti-corruption policy design and implementation.[8] Whenever possible, interviews and focus group discussions (FGDs) were conducted in the local language (e.g., Punjabi and Telagu in India, Hausa and Yoruba in Nigeria) to avoid problems of mistranslating corruption concepts that exist in English but may not exist in other languages.

The research shows that religion may have some impact on attitudes towards corruption but is also likely to have little impact on actual corrupt behaviour. This is because corruption is considered so widespread, so built into the system, that being uncorrupt often makes little sense. Some respondents, who often described themselves as both religious and ethical, engaged in a process of what Bandura calls 'selective moral disengagement' through 'diffusion of responsibility': 'Where everyone is responsible no one really feels responsible. Collective action, which provides anonymity, is still another expedient for weakening moral control. Any harm done by a group can always be attributed largely to the behaviour of others' (Bandura 2002: 107). This was true regardless of religion, across both countries, and may have significant implications for both corruption research and policy.

This paper adds to a growing body of literature questioning the relevance of instrumentalist arguments seeking causal relationships between complex social phenomena and corruption.[9] Instrumentalist approaches tend to lack empirical evidence and run the risk of distorting other important aspects of the social phenomena under question (see, for example, on politics: Harrison 2010; Marquette 2003; Polzer 2001; on gender: Alolo Al-hassan 2007; Goetz 2007; and on social capital: Callahan 2005; Graeff 2009; Warren 2001). Rothstein calls this focus on instrumentalism and 'operationally-relevant research', the search for the 'magic key': 'if only we could find the magic key (the "entry point") and change this institutional device, we would be able to advise policy makers on [anti-corruption]' (2011: 107–8). In this ground-breaking book, he argues that there is no 'magic key' to anti-corruption; evidence from our field research suggests that, despite 'common sense', religion as well is unlikely to prove an effective entry point for engagement.

Looking for evidence of a causal relationship between religion and corruption

As a starting point for our research, we looked at the literature specifically concerned with the relationship between religion and corruption, but this is perhaps surprisingly sparse. Partly, this may be due to the continuing impact of secularism on political science and economics, two of the leading disciplinary approaches to the study of corruption.[10] In the past two decades, the general corruption literature has been quantitative and economics-led, rather than qualitative-led. As Paldam argues, despite the complexity of the relationship between economic development, culture, religion and corruption, which involves 'grand historical dynamics', 'a piece of the grand pattern can be isolated and submitted to the standard "hard" tools of analysis' (2001: 384). The wider paper on which this chapter is based (Marquette 2012) covers this literature in depth, but given space constraints I have included some highlights here.

Paldam (2001) uses eleven variables on religion from a cross-country data set to demonstrate whether cultural factors, as formed by religious differences, can explain corruption in these countries. The study starts with an economic model of corruption that says that poor countries have higher levels of corruption, and as they become rich, the levels of corruption drop dramatically.[11] Using longitudinal measures of corruption vis-à-vis the proportion of a country's population adhering to a particular religion, Paldam reveals that some religions tend to decrease levels of corruption while others tend to increase corruption levels, whereas extensive religious diversity within a country could reduce corruption levels.

In an attempt to have 'statistically useable' (both large enough and broadly distributed) data, Paldam amalgamates or divides different religions. For example, 'tribal' religions and atheists are amalgamated together regardless of their different or shared worldviews or moral codes (Paldam 2001: 393), whereas Christianity is distinguished between Pre-Reform Christians (further separating out 'Old Christians' (Eastern and Orthodox) and Catholics)

and Reform Christians (again, further separating out Protestants and Anglicans) (Paldam 2001: 394).

His results show that countries that are predominantly Christian are less corrupt than predominantly non-Christian countries, and Reform Christian countries are less corrupt than Pre-Reform Christian countries, taking into account level of development, measured by real GDP, the growth rate, Gini coefficient and inflation rate, among others. Predominantly Muslim countries are found to be similarly corrupt to Pre-Reform Christian countries. Countries that have predominantly tribal religions (and atheists) are less corrupt than others, and, indeed, there seems to be a sharp increase in corruption following the change from tribal religion to another religion (generally speaking, Islam or Catholicism) (Paldam 2001: 402–8).[12] Paldam concludes that this demonstrates a Weberian 'indirect effect' of religion on economic growth and is a result of an intolerance of corruption born in the Reformation.

Paldam's work demonstrates the worst excesses of large-n datasets used on their own to explain complex socio-cultural phenomena. His arbitrary classification system owes more to his worry about 'useable data' than to any understanding of the nature of various religions. Paldam does not provide a logical reason for putting tribalists and atheists in the same category, nor for separating Anglicans from other 'Reform Christians'. Paldam explains that the '[d]ata allows Anglicans to be separately analysed', presumably because the Anglican church is widespread across many countries, particularly in the Commonwealth, but this seems, once again, to be rather poor logic. The same logic could of course easily apply to Islam, but there is no attempt by Paldam to disaggregate different Islamic sects. Paldam's study can also be critiqued on the basis of its reliance on dated data. The study utilises data from Barrett's 1982 study (Paldam 2001: 392). Paldam himself alludes to the fact that many countries used in his analysis have broken up since 1982. These issues reduce the credibility of the findings and suggest the need to exercise caution when interpreting his findings.

Beets (2007) provides another large-n based examination of the link between religion and corruption that builds on Paldam's work, using the following datasets: the TI-CPI (2003), Britannica Book of the Year (2003), Religious Freedom in the World (2000) and the Pew Global Attitudes Project (2002). 'Dominant' religions (those with an affiliation that exceeds 50 per cent of a nation's citizens) were compared. These were broken down into: Buddhism, Christianity, Hinduism, Islam, Judaism, other dominant, non-religious and no dominant. As noted with Paldam's work, using such a simplistic classification system is very problematic in the developing-country context. For example, Beets classifies Ghana and Nigeria as Muslim countries, although they have strong regional differences, with both countries having a largely Muslim north and a largely Christian south. The TI-CPI is a national-level perceptions survey and does not differentiate between north and south in these countries, so there is no way to tell, using this data, if the predominantly Muslim part of Ghana, for example, is more or less corrupt than the predominantly Christian part of Ghana.

Beets compares countries across a range of factors: the dominant religion, perceived corruption, importance of religion to the citizens, religious freedom, among others, and concludes that when countries are grouped in accordance with their dominant religions, the religious groups differ significantly with regards to perceived corruption. When Beets compared countries against the TI-CPI, going from most to least corrupt, he found that the most corrupt countries were those with no dominant religion, followed by Muslim and Hindu majority countries, then Buddhist and Christian majority countries and, finally, Jewish majority countries.[13]

An interesting finding is that relating corruption to religiosity. As he explains, 'since world religions consistently condemn theft and dishonesty, one might expect that, if citizens consider religion important, they would be less likely to engage in corruption. The results of

this study, however, provide evidence to the contrary' (Beets 2007: 81). He provides one possible explanation: in poorer countries, the few are the perpetrators while the many are the victims, and these 'victims may seek solace through their religion' (Beets 2007: 81).

Norris and Inglehart (2004) use the World Values Survey (WVS), which contains four ten-point scale items, to see if the Weberian thesis on Protestant values still applies. They test the public's ethical attitudes, including how far people believe that certain actions are either always justified, never justified or somewhere in-between (2004). Their findings contradict those by Paldam (2001) and Beets (2007), who use the TI–CPI. Norris and Inglehart conclude:

> Comparison across religious cultures shows that Protestant societies proved only moderately ethical on all four scales; usually slightly more ethical than Catholic societies but not displaying the highest ethical standards across all groups; indeed by contrast the Eastern religious cultures showed the highest disapproval of moral infringements. Any argument that today Protestant societies display higher ethical standards that may be conducive to business confidence and good governance is not supported by this analysis.
>
> *(2004: 172)*

Another study utilising the WVS is by Gatti et al. (2003). They look at the data collected on attitudes towards bribery to conclude that 'family values and reported church attendance are associated with higher aversion to corruption. Interestingly, different religious beliefs do not seem to have a significant impact on BRIBE[14] (with the exception of individuals of Jewish religion who consistently report a higher aversion to corruption)' (2003: 12). Interestingly, the authors make very little of the fact that 75.4 per cent of all respondents responded that 'bribery is never justifiable', while only 8.8 per cent said that 'bribery is sometimes to always justifiable', regardless of religion, nationality, age or so on.

The WVS data does seem more convincing than the CPI because it tries to measure individuals' attitudes towards corruption, including 'morality'. Corruption may be endemic across systems and institutions, but it is still the act of individuals who experience corruption and religion in an individualistic way. The individual observance of religious belief, for example, may not reflect the dogma of organised religion. The notion that an official designation of a country as representing a particular religion, and then reading off from that particular types of behaviour, is naive in the extreme. Individuals also make the choice of whether or not to corrupt or be corrupted, to behave ethically or unethically. They may operate within institutions, but the emphasis in this literature – acknowledged or not – is on the attitudes, beliefs and choices of individuals. The WVS attempts to explore this but fails to differentiate between the variations within countries and, as such, actually tells us little that is significant. These studies, no matter which data set they are based on, also do not take into account the massive variations between adherents of various faiths across the world. Religious people may or may not be aware of what their sacred texts say about ethics and corruption, engaging with them simply on a ritualistic level, and even if they are aware, they may still choose to behave differently. The studies reviewed here do, however, provide a fertile starting ground for exploring some questions regarding the relationship between religion and corruption.

Evidence from fieldwork in India and Nigeria

In light of this, and other literature, our own research did not begin with pre-existing definitions of corruption or religion, as we wanted to see how these emerged from the respondents

themselves. Analysis of the transcripts following the field research led to the emergence of eight broad sub-categories, but in this chapter I only highlight three key areas related to the assumptions in the literature that Beets (2007) highlighted above: definitions and perceptions of corruption; religion and people's attitudes towards corruption; and the role of religious organisations in promoting ethical conduct.[15] One interesting finding is that there were few significant differences between the countries or between the different religions. The differences that exist are interesting, but so are the areas where there is convergence.

Respondents in India and Nigeria expressed strong condemnation of all forms of corruption during interviews and focus group discussions. In India, this was largely voiced along secular lines (e.g., impact on poverty, trust in government or society). For example, from the director of an IT company in Hyderabad (male, Hindu): 'Anything which is not legitimate, offering to get certain things done by taking money, taking a favour, is corruption; something that is damaging to the system, for the taxpayers and ultimately for our work culture.' A lecturer from Punjab (female, Sikh) said, 'Government makes laws and policies which are good, but the problem is with the implementation of these policies – because of corruption. One, you are siphoning off the money meant for welfare, and secondly, you are not performing your duty sincerely.' Finally, from a retired civil servant (male, Sikh): 'It is the total destruction of the administrative system, justice, and ethics.'

Nigerian respondents, in contrast, drew clear links between religion and corruption. In Kano, for example, a respondent (male, Christian) explained: 'Corruption is a social evil; it is an evil that is culturally embedded in the minds of people . . . I look at corruption as bad because my Bible specifies clearly that what does not belong to you does not belong to you'. A community leader in Kano (male, Muslim) proclaimed, 'Honestly, lack of fear of God is the causative agent of corruption. We only say it [fear of God], but we don't act on it.' Another community leader (male, Muslim) agreed, explaining: 'Corruption is totally unacceptable because it has been forbidden both in the Holy Qur'an and the Hadith. It brings immorality in our behaviour, in our business activities and all our day to day activities.' Finally, in Ibadan, a religious leader (male, Christian) said: 'Corruption really is a canker worm. It is one of the things the devil has sown into the world.' Nigerian respondents tended to group together all perceived 'social bads' as 'corruption', such as homosexuality, as well as genuinely harmful and criminal behaviour, such as bribery, just as Smith (2007: 5) found:

> when Nigerians talk about corruption, they refer not only to the abuse of state offices for some kind of private gain but also to a whole range of social behaviour in which various forms of morally questionable deception enable the achievement of wealth, power, or prestige as well as more mundane ambitions. Nigerian notions of corruption encompass everything from government bribery and graft, rigged elections, and fraudulent business deals, to the diabolical abuse of occult powers, medical quackery, cheating in school, and even deceiving a lover.[16]

There was also condemnation in both countries of deeply entrenched, 'systemic corruption' (see, for example, Johnston 1998); there was little sense that individual action would make any difference. Respondents often did what is called 'othering', seeing corruption as something that other, immoral people do, while regarding what they might do as simply making the best of a bad situation, an example of Bandura's 'selective moral disengagement' (2002). In other words, they clearly separated public and personal morality with respect to their own behaviour but not when it came to condemning the behaviour in others. For some respondents, there was a sense that in a corrupt system, choosing not to be corrupt put one's own

family at a serious disadvantage compared to others. A businessman from Amritsar (male, Sikh), for example, exclaimed:

> Corruption is spreading like forest fire in our country and it is difficult to survive or stand apart, like a small green plant in the forest, without it. Although I am a God-fearing person conducting my business honestly, I gave five lakh rupees [approximately £6,700] for admission of my daughter [to an educational institution] because they were demanded from me. I had to arrange it by hook or crook.

A typical statement made in the focus group discussions with both male and female Hindu and Sikh university students was, 'Being from a business family, I know what corruption for us is. From constable to income tax officer all take bribe. I know that giving bribe is also corruption, but we have to give. We all are part of corruption – there is no escape.' From a human rights activist (female, Sikh): 'Corruption has been institutionalized and has undeniably amplified. No scruples. A corrupt man is not ashamed. Twenty to thirty years ago, a corrupt man was marked out. Now he is proud, displays wealth and has recognition. We have given them a high status and regard.'

In Abuja, an Electoral Commission official (male, Muslim), said, 'Most people see it [corruption] as normal; i.e. to them it is not corruption but they just do it. In essence, they know but they don't want to believe it is corruption but that they are only doing business, which they consider normal.'

In both countries, the word 'normal' was often used by informants; i.e. 'Most people see corruption as normal.' This suggests corruption should be seen as a collective-action problem (Persson et al. 2010; Rothstein 2011). It also means that corruption is so widespread that 'even if most individuals morally disapprove of corruption and are fully aware of the negative consequences for the society at large, very few actors show a sustained willingness to fight it' (Persson et al. 2010: 1). As such, individuals are left with a typical collective-action problem in which their choice not to engage in corruption is seen as illogical.

Far from being considered worthy anti-corruption partners, the respondents saw religious organisations as part of the problem. At a workshop held in Hyderabad, nearly all the participants agreed with a statement made by a media person (female, Hindu) interviewed as part of the research, that '[i]n the present times, religion is a discredited entity – religion has become politicised and does not have the force of the word around it'.[17] A development worker (female, Hindu), also from Hyderabad, argued, '[r]eligion has also become one of the sources of income. You become a God man or a God woman and exploit the sentiments of the public.' An engineering officer (female, Hindu) agreed with this:

> You cannot get work executed in Tirupati, as an engineering job or a contract, without giving bribes there. So, all those religious persons we talk about sitting on top of the hill, being good human beings to everybody, they are not. For them, 'I pray to God' and 'I am corrupt' are two separate issues.

The director of an anti-corruption bureau in India also commented: 'In India we make God a stakeholder in our corruption activities. I know a large number of businesses who will donate 5 per cent to temple or charity. This is how we overcome our guilty conscience.' Similar sentiments were expressed by respondents in Nigeria. One respondent (male, Muslim), said, 'I have never heard of any church or mosque sending a corrupt person away from its premises; instead, they are given a front row [seat].' A civil servant in Abuja (male, Christian) claimed, '[i]f you

are Brother Good in the church – you know how to pray well, regularly attend church services, even clean the church – but if you don't bring money to the church, your pastor will not recognise you. But when you are able to bring in money, nobody will care to know where you got it from.' Finally, a respondent in Ibadan (male, Christian) complained, '[i]t was reported in the papers that a man stole in his place of work so that he could donate to the church, so that his name could be mentioned in the church. The religious leaders are preaching prosperity in such a way that people are tempted to indulge in corrupt practices.'

Interestingly, in both countries, respondents felt strongly that religion should make people less corrupt and certainly should impact upon their behaviour and attitudes, but most regarded religion as only part of an overall 'package' of moral upbringing that also comes out of the family. A bureaucrat in Chandigarh (male, Sikh) said, 'I have imbibed my core values of sacrifice and humility from the Sikh religion. Thinking and behaviour evolves because of interaction of various forces at work that may come from religion, from society, or from family. It is a mix of all of those.'

A development worker from Punjab (female, Sikh) reported that her value system had been taken from the teachings of the Guru and from her parents, who were deeply religious. She noted that it was religion that had inspired her work at the home for the destitute that she runs: 'When God is in the heart . . . goodness comes in a natural way.' A senior bureaucrat from Hyderabad (male, Hindu) emphasised the importance of values, virtues and the need for ethics in public life in providing a clean and honest administration. In his view, '[a] public servant is an exemplary person in society and a role model . . . I found [the training that he received during his foundation course, based in part on religious teaching] to be very useful and valuable.'

Two academics, one based in Amritsar and another in New Delhi (both male, Sikh), were of the opinion that *gurdwaras* (Sikh places of worship) have an important role to play in eliminating a great deal of corruption, particularly by imparting the Gurus' key message of '*Kirat haro, Naam japo, Vand chako* [work hard, remember God, consume after sharing].'

In Nigeria, a worker at A Daidaita Sahu (Societal Reorientation Directorate) in Kano (male, Muslim), suggested, 'Well, perhaps religion is expected to guide morality, both social and economic. From the day you were born the teachings of religion and morality started.'

A participant in a focus-group discussion of Muslim female students in Kano said, 'Religion is shaping our behaviours, our manner of interaction, and it helps in shaping the culture and sustenance of society.' A religious leader (male, Christian) explained, 'We always contribute towards reducing it [corruption] . . . there is preaching in the church about what is "pure" or what is "holy", and how you should source for wealth and how to spend it. [We] preach and tell people about the menace of corruption through proper propagation and sensitisation of our members in the church.'

A few participants called for better values education, possibly, but not necessarily, involving religious organisations, but they argued that this needs to come early, while people are still children, to have a significant impact. This point about early impact was made particularly strongly by the Indian respondents, especially younger participants. A participant in a focus group discussion with young professionals in Hyderabad claimed, 'Training cannot make a difference – these things should be inculcated right from childhood. When you are twenty-three or twenty-four, all your perceptions are made. If somebody tries to teach you morals and ethics, you are not going to get it. Teach at a young age.' Another respondent explained, 'Better to start from childhood. Ethical values, such as the value of hard work, must be inculcated in children.'

Conclusion

In a study of the links between religiosity and deviant behaviour, Stark explained,

> I suspect that what counts is not only whether a particular person is religious, but whether this religiousness is, or is not, ratified by the social environment. The idea here is that religion is empowered to produce conformity to the norms only as it is sustained through interaction and is accepted by the majority as a valid basis for action.
>
> *(1996: 164)*

Stark's analysis seems to point towards membership in religious communities as having a significant impact on attitudes towards moral issues, although only where the existing social environment condemns delinquent behaviour. This is clearly the case in our research where condemnation of corruption was universal among our respondents.

As shown in the above discussion of the fieldwork, respondents know what corrupt behaviour is, and they do not like it; taken alongside other studies, such as the qualitative fieldwork done in Kenya and Uganda by the Quality of Government Institute (Persson et al. 2010), in many Afrobarometer survey studies (see, for example, Armah-Attoh et al. 2007) and in the study by Gatti et al. (2003) discussed above, this is significant. In direct contradiction of the literature reviewed earlier in the paper, regardless of methodological approach, the outcome suggested by our research is the same: regardless of religion, people who live in highly corrupt countries tend to condemn corruption. However, they also may feel that their own corrupt behaviour is justified given the systemic nature of the corruption. What highly corrupt countries are unlikely to need is religious belief as an 'entry point' for anti-corruption; they need to know that they can trust other people and institutions to 'play by the rules' (Rothstein 2011). It is not just important that the existing social environment condemns corrupt behaviour; it needs not to be seen as 'normal'.

Religious organisations may have a role to play in bringing about the kind of widespread systemic change needed, but our research suggests that such an approach may prove very difficult. In both countries under study, religious organisations themselves are seen to look to gain wealth and project an image of material success, undermining their moral authority in this regard, and individuals often pray to God to make them richer and more successful. As one respondent in India put it, 'As long as Lakshmi [the Hindu goddess of wealth] is coming in, it is all fine.' Participants in our research did not believe that anti-corruption campaigns alone involving religious leaders are likely to change such attitudes and be a 'magic key' to unlock widespread integrity. Ultimately, almost all of our respondents – in both countries, regardless of religion – felt that the main focus for anti-corruption efforts must be on prevention and punishment: only when people know that those engaging in corrupt behaviour will be caught and punished will corruption levels decline. Until then, they believe, even God will not be able to fight corruption.

Acknowledgements

Notes

1 The original article cited by Nussbaum has since been updated to take out the conclusion quoted above because errors in the data used to arrive at it were subsequently detected (Kliesen and Schmid 2004). Cross-national research that tries to link belief in Hell (or Heaven) to corruption often take this as a proxy for religiosity, ignoring the fact that not all religions include a heaven or a hell.

2 The programme for this workshop, which took place in June 2012, can be found at http://kairossouthernafrica.wordpress.com/2012/06/11/anti-corruption-summit-programme-13-june-2012-2/ (accessed July 2012).

3 The TI-CPI is a 'survey of surveys' that looks at perceptions of corruption and then ranks countries according their score. It can be found at www.transparency.org, along with an explanation of its methodology. See Andersson and Heywood (2009) for a good explanation of the problems with using the TI-CPI in research. Religiosity, although not formally defined in the Pew Global Attitudes Project, is defined by the *Oxford English Dictionary* as 'religiousness, religious feeling or sentiment' or 'affected or excessive religiousness'. Measuring religiosity seems to be about self-definition as a member of a religious community, regular attendance at a religious service and regular prayer.

4 MSN.com (2009).

5 The research team consisted of: Dr Heather Marquette and Dr Insa Nolte, University of Birmingham; Professor Vinod Pavarala and Dr Kanchan K. Malik, both University of Hyderabad; and Dr Antonia Simbine, Nigerian Institute of Social and Economic Research, and Dr Emmanuel Aiyede, University of Ibadan.

6 Including leaders and ordinary members of selected religious organisations, policy makers and staff in selected public and corporate sectors, members of NGOs, youth, media persons, academics and those engaged in anti-corruption policy design and implementation. One caveat is that our respondents were urban, mostly English-speaking and relatively well-educated. Future research could explore whether there are any significant differences between research participants drawn from different cross-sections of society.

7 Whether African Traditional Religion can be seen as religion (rather than cultural beliefs) or a single religion (rather than many locally specific religions) is contested. In practice, most Nigerians consider themselves to be Muslim or Christian, although traditional beliefs continue to held by many and have a strong influence on values and practices.

8 One limitation of the research is that our respondents were urban, mostly English-speaking and relatively well-educated. Future research could explore whether there are any significant differences between research participants drawn from different cross-sections of society. Although we can claim to have reached a point of data saturation with our sample, we cannot claim our findings are generalisable across either of these two very large and complex countries, or beyond them. Nonetheless, our research flags up some important findings and points to an interesting area for further research on corruption.

9 I take a similar approach to instrumentalism here to that by Thatcher, who explains the 'instrumentalist view' to public policy as 'the main way to improve public policy is to find better means of pursuing the goals that already occupy prominent places in policymaking' (Thatcher 2004: 4).

10 As Singh et al. (2006) point out: 'The starting point for any meaningful understanding of the political science literature on the role of religion in public life is secularism. Of all the disciplines, political science (with perhaps the exception of economics) is the one that is most secular in its outlook' (p. 7).

11 Paldam defines corruption as 'illegal private gains made by an agent at the expense of the principal, when the agent deals with a third party' (2001: 389).

12 Paldam claims that this supports Rousseau's claim about the 'original state'.

13 It should be noted, although Beets does not do this, that with only one country (Israel), the finding that countries that are predominantly Jewish are the least corrupt is hardly statistically significant and should be disregarded.

14 The authors coding for the WVS question: 'Someone accepting a bribe in the course of their duties', and whether it can always be justified (rank=10), never be justified (rank=1) or something in between.

15 These eight broad sub-categories (also segregated on basis of region-social group-religion) were: (1) on being 'religious'; (2) religion and value systems: ethical codes of conduct; (3) definitions and perceptions of corruption; (4) (knowledge of) discourses on corruption in religious texts; (5) religion and people's attitudes towards corruption; (6) tradition, modernity and corruption; (7) the role of religious organisations in promoting ethical conduct; (8) the accountability of religious organisations.

16 A 2003 headline from Zambia declares, 'Zambia Gets Tough on "Corruption and Gays".' If external actors, such as donors, too eagerly enlist religious leaders into the fight against corruption, they could conceivably find themselves embroiled on the wrong side of debates about human rights if they are not clear how corruption is being defined.

17 Project dissemination workshop on 'Religions, Values and Public Policy in Contemporary India', held at the University of Hyderabad, 28–9 January 2010.

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23

THE THREAT TO SPORTS AND SPORTS GOVERNANCE FROM BETTING-RELATED CORRUPTION

Causes and solutions

David Forrest and Wolfgang Maennig

Introduction

Corruption in sport has taken a variety of forms, most of which are akin to malpractice found in other sectors. For example, International Olympic Committee members were accused of accepting bribes for votes in the allocation of the 2002 Winter Games to Salt Lake City. For example, Brazilian football administrators were alleged to have selected players for the national team just to make them eligible for work permits in Europe, thereby raising their transfer values to their clubs. For example, German football club administrators received bribes for delivering information on the bids for the construction of the Munich Allianz Arena to the firm which finally won the bid by slightly undercutting the bids of others.

These are all examples of corruption in the governance and administration of sports.[1] But this chapter focuses on what may be seen as a more distinctive, insidious and threatening form of corruption, that involving the manipulation of events on the field. Sometimes such manipulation will be for 'sporting' reasons, i.e. the corruptor wants sporting success and is willing to offer explicit or implicit inducements to the corruptee to increase the chance of that success. The first documented example was in the Olympic Games of 388 BC when Eupolos of Thessalia bribed three of his fellow competitors in the fist-combat tournament. He won the event, and retained the title of Olympic champion, notwithstanding the improper means, because, under the rules of the time, the title could not be taken away once awarded (Weeber 1991: 118). Much more recently, in 2006, Italian football suffered the Calciopoli scandal. A number of clubs were found to have gained improper advantage in the league competition by, for example, influencing the allocation of referees between matches so that sympathetic officials could then take decisions on the field which would enhance their prospects in the competition. On this occasion, clubs, including one of the most famous teams in the world, Juventus, were punished, by demotion to the second division.[2]

In between these widely separated dates, many other cases could be enumerated. Hill (2009a) presents a compelling picture of the extent to which match-fixing had become systemic in the Russian football league, based on evidence from a series of intercepted

telephone calls to and from the manager of one of the clubs. The transcripts reveal the extent to which the buying and selling of matches had become part of the 'normal corrupt business environment' (Hill 2009a). Particularly late in the season, when it was clear that some match results were critical for one team but insignificant for the other, resources were routinely spent to ensure that points would be gained where they were needed and that results in games involving rivals in a championship or relegation struggle would also fall out 'correctly'. The league appeared to have gone beyond a 'tipping point' where corruption becomes so routine that officials in all clubs are pressured to engage in improper means because, if any individual club abstains, it cannot be successful. Hill even notes that in highly corrupt competitions, incentive payments emerge as a new instrument: a club offers inducements to another club to play well in a match against a rival to reduce the risk that it will accept a bribe to play badly.[3]

In some settings, a more subtle form of corruption than overt bribes (or physical threats) may be discerned: competitors just exchange favours.[4] Duggan and Levitt (2002) found that where a particular fight was important for a sumo wrestler in the context of the current tournament, he often won, but then lost the next time he faced the same opponent. This was consistent with competitors having an explicit or implicit understanding that they would manipulate the sporting outcomes between them, to the disadvantage of other players in the tournament: one would lose, knowing that his opponent would return the favour in the future. Similarly, following Preston and Szymanski (2003) who had noted the same phenomenon in cricket, Caruso (2009) blamed tournament design for situations in football whereby teams can have an incentive jointly to fix a match because a given result would favour each of them at the expense of a third team. He illustrates his ideas in the context of a match in the 1982 World Cup when Austria and West Germany played out a draw that enabled each of them to proceed to the next stage of the competition, eliminating Algeria. In such cases, mutual advantage rather than a money transfer underpins the act of corruption. That it can still be argued to be corruption is because consumers and sponsors of sports events spend their money in the expectation of honest athletic competition.

A second type of on-the-field corruption, which is the focus of this contribution, has a different motivation. This is where events are manipulated to allow sports insiders or third parties to make financial gains on associated betting markets. This sort of corruption is considered in-depth in the present chapter. In the following section, we suggest that betting-related corruption has become much more commonplace in recent years, and perhaps endemic in some sports. Subsequently we ask why and we evaluate possible countermeasures.

But why is betting-related corruption important? First, we argue that, at the societal level, it implies a cultural loss. Sport is a repository of dreams and a place where heroes are made. If the magic is lost because events become believed to be manipulated rather than the result of real competition, its place in and contribution to our culture is undermined. Intentional infringements of sporting values or society's attitudes towards illegitimate redistribution of sporting success endangers one of the central functions of sport: the selection of the best-trained and best-talented athletes in fair competitions. The reputation of the sport is damaged, potential athletes (or the parents of youngsters considering a sporting career) turn their back on sport and sponsors cancel their support. These costs arise at the latest in the medium term for the sport as a whole and may threaten the sport's political system. To this extent, the term 'victim' cannot be limited to the athletes robbed of victory but should include the whole sporting system.

Second, some sports are large industries, and association with corruption may threaten their revenue streams or even their existence. The case of the once popular Chinese Football League offers an illustration. It appeared to approach non-viability following multiple

arrests, including of officials at the highest level of the governing body, for extensive match-fixing. Attendances collapsed, and both the league sponsor (Pirelli) and the national broadcaster (China Central Television) withdrew from their involvement. Similar patterns of events can be observed in the leagues of Malaysia, Singapore and Albania (IRIS 2012).[5] Revenue loss following revelations of manipulation of sports events has also been evident in Europe, at football clubs implicated in Italy's Calciopoli scandal: Buraimo et al. (2012) demonstrated sharp drops in attendance at the clubs in question during the following seasons.

Third, criminal interests drawn to sport by profits available through match-fixing may gain influence in, or even ownership of, sports clubs, and their positions can then be exploited for other illicit activities, such as money-laundering or the improper exercise of political power, resulting in a general societal risk from (abused) sport betting.

The scale and growth of betting-related corruption

Attempting to fix matches in order to win bets is, of course, nothing new. It has featured in sport since the modern era of sport began. Cricket in eighteenth-century England, baseball in nineteenth-century America, boxing almost always and everywhere – all experienced such regular betting scandals that corruption could be claimed to have been endemic. In the twentieth century, it was again baseball and cricket that provided the most infamous cases, infamous because they occurred at the very highest levels of their respective sports: a group of players on the Chicago baseball team deliberately lost the World Series of 1919 in return for payments from betting interests; in 2000, the captain of the South African cricket team, paid by an Indian bookmaker, employed reckless strategy to engineer a defeat against England. Many other twentieth-century cases, across a range of sports and regions of the world, are tabulated by Forrest et al. (2008).

But although therefore not a new phenomenon, betting-related corruption in sport does appear to have increased markedly in the twenty-first century. Of course, one cannot be certain of a trend in a time-series of crime where only detected cases are included. But the changes in the betting environment since the Millennium, to be discussed further below, provide an a priori rationale for predicting increased incidence of fixing events, and an unprecedented series of scandals has duly come to light. In 2011 alone: the Bochum trial in Germany found a Croatian criminal gang guilty of fixing 320 matches in twelve European countries; Italian football was engulfed by the Scommessopoli scandal in which football insiders with Mafia connections were reported to have engaged in extensive 'buying' of results, paying €400,000, €120,000 and €50,000 for first-, second- and third-division matches respectively; a Singapore criminal was sent to prison in Finland for fixing matches in the Finnish league by paying Zambian players; and a case in the Belgian courts implicated a Chinese national in arranging several results in the Belgian league. Outside football in 2011, two top-100 ranked players on the World tennis tour were banned for life for match-fixing; an Australian rugby league player was jailed for deliberately conceding penalties to advantage an opposition team; and three players from the Pakistan national cricket team experienced life in an English prison after bowling to instructions in a match against England.[6] Sport Accord (2011) lists twenty-three cases of reported betting-related corruption in 2011 alone. And the beginning of 2012 brought no respite in the flow of reported cases. An English cricketer was given a jail sentence for accepting bribes to bowl badly in a minor domestic match (which had nevertheless been televised in India and been the subject of an active betting market there); further trials of national team players and high-placed officials in Chinese football led to several

lengthy sentences, including five years for a former World Cup referee; and police activity in Italy appeared to uncover yet more evidence of extensive fixing of football.[7] Corruption cases have had to be investigated in other sports as well, beyond those named here, for example handball and snooker.

The sheer number of instances to come to light in a short space of time is suggestive that corruption has become very widespread across sport: it would not be surprising if the instances in the public domain (IRIS 2012 documents many more) were just the tip of a large iceberg. This is what would be expected from the general literature on corruption and crime. For example, in Germany at most 5 per cent of corruption is believed to be brought to light (Bannenberg and Schaupensteiner 2004). Fears that an estimate of this order may apply in sport are supported by the observation that a large proportion of the cases about which we do know came to light purely fortuitously rather than through specific mechanisms designed to reveal such crime. For example, two of the most prominent known instances of fixing sport for betting gain in the past ten years, the Bochum conspiracy and a referee corruption scandal in the National Basketball Association, which resulted in a prison sentence in 2007, were each discovered coincidentally during police investigations into other organised crime activities (prostitution rings in the Bochum case): the police were not specifically searching for or investigating corruption in sport.[8]

It seems fair, then, to adopt as a working assumption that the incidence of betting-related corruption has increased. Study of the recent known cases noted above suggests aspects of the problem to be taken into account in seeking an explanation. In the past, match-fixing may have been typically a petty crime, sometimes executed by athletes betting for their own personal gain and related to local betting markets. But now it is striking that organised crime, whether based in Europe or Asia, is very commonly the instigator of the corruption: organised crime appears to have added match-fixing to its portfolio of other illicit activities such as prostitution, drug supply and people-trafficking. Further, one might note the regularity with which the cases have a strong international dimension: for example, the defendants in the Bochum case were Croatian criminals, based in Germany, who had manipulated football in twelve European countries, to make gains realised mainly on Asian betting platforms. The reason for infiltration of football being attractive to international organised crime is evident from the scale of the gains from corruption that the Bochum conspirators were able to realise. The prosecution in the case produced evidence that, in a single year, they had paid bribes amounting to €12 million to make a net profit of €7.5 million (IRIS 2012).

Evidence from criminal trials may suggest that corruption is widespread, but it is a more difficult issue to quantify just how extensive it is. Development of forensic statistics could have the potential to yield informed estimates. Wolfers (2005) was the first to attempt to use a statistical approach in the context of fixing for betting gain. His subject was US college basketball.[9] Comparing match results with bookmaker points spreads, and noting the frequency with which favourites won by a little less than the spread, he claimed that about 1 per cent of matches over sixteen seasons had likely been subject to betting-related manipulation. In European football, Sportradar is a contractor which, on behalf of UEFA (Union of European Football Associations), for both UEFA competitions and matches in European domestic leagues, monitors some 300 betting websites for irregular odds movements. Experienced traders review anomalies, comparing betting activity with on-field events and checking whether there are 'sporting' explanations for any incidents observed. Comparisons are made with previous similar circumstances to check whether particular players or officials show up repeatedly in matches regarded as suspicious. Whenever there is still a ground for

suspicion, following review, an alert is issued to UEFA or to the national federation responsible for the match. On the basis of its experience, Sportradar estimates that 1 per cent of European matches are fixed.[10] This implies that betting-related manipulation may affect about 300 European matches each season. This is consistent with our intuition that corruption has become a significant risk for football and other sports.

Which bet types are subject to corruption and who executes the fix?

We have not yet attempted a definition of 'betting-related corruption' in sport. In the past it might have been adequate to define it as players deliberately underperforming to bring about defeat in a match so that they themselves, or their associates, or those offering them bribes, can make a profit in the corresponding betting market.[11] But study of evidence from recent trials, particularly the Bochum case (where the German authorities invested heavily in the investigation, allowing a detailed picture of the modus operandi of the fixers to emerge), reveals that the definition must now be cast much wider in terms of both the object of the fix and the identity of those who execute it on the ground.

In the contemporary betting market, it is possible to wager not only on the result of a sports event but also on numerous aspects of the game, for example in football on the margin of victory, the score at half time, the total number of goals, the identity of the first scorer, the number of red and yellow cards and many other match statistics. On the face of it, some of these offer scope for easier manipulation than is the case with the result of a match, for example, the referee has considerable discretion over how many red and yellow cards to issue. Therefore, sports governing bodies have queried whether such specialised markets should be permitted to be operated. But the size of the relevant betting market has to be taken into account. High volume is necessary if large bets are going to be accepted at all and to ensure that tainted transactions do not attract unwanted attention. In football, the largest markets are on the result of the match and on the total number of goals in the match. In cricket, the largest markets are on the result of the match and on the total number of runs in a session.[12] In basketball, the largest markets are on the result of the match relative to the spread and on the total number of points in the match. In recent corruption cases, details suggest that manipulation has focused on exploiting these high volume markets and so more exotic markets do not appear to be as dangerous as may be thought. For example, in football, a criminal group masqueraded as a sports promoter and persuaded four football federations to send their national teams to participate in friendly matches staged in Turkey in February 2011. The promoter supplied the match officials. Monitoring of betting markets suggested that millions of euros had been wagered in Asia, for each match, on the total number of goals scored being three or more. Such an outcome was duly achieved in each match. In each, all goals had been from penalties (and further penalties had been awarded but not converted). After investigation, FIFA banned all the referees for life, but the 'promoters' had fled the police (IRIS 2012). Similarly, in the case of the English cricketer jailed after a trial in 2012, he had been paid to concede runs during his bowling spell and the corresponding betting gains are believed to have been realised on the runs-in-a-session market (*The Times*, 13 January 2012). And the National Basketball Association referee who was imprisoned in 2007 had been guilty, over a run of matches, of leniency in allowing dubious points scored by either side to stand, enabling his paymasters to make lucrative bets in the total-points-in-the-match market (Forrest et al. 2008).

It should be pointed out that even though very few markets on specialised aspects of a match have the volume to support a significant injection of criminal money, the ability

to manipulate one phase or one aspect of an event can still be potentially profitable for instigators of corruption. This is because they can still exploit the live (in-play) betting market on the final result. In tennis, about 90 per cent of stakes are placed during, rather than before, the match (in football, in-play transactions are believed to account for about 70 per cent of the market). The instigator of a fix might persuade a tennis player to lose just the first set of a match. This is likely to be more palatable to the player than a demand that he loses the whole match. Suppose the player accepts the bribe. The principal will bet against the player before the match. After the player has lost the first set, odds that he will win the match will lengthen (and by a predictable amount). Now the principal will bet for the player. Exploiting the insider information that events will change the price at a particular time in the match enables the principal to engage in a combination of transactions that locks him into a profit whatever the final result.[13] This illustrates that the definition of corruption must embrace not just the fixing of the outcome but also the fixing of any part or aspect of the event.

Who carries out a fix on behalf of the principal? In various cases, different types of agent have been employed, not just players. Of course, referees feature quite heavily in the listing above of recent cases of corruption. Certainly they represent a vulnerable group because in many sports they are capable of having a strong influence on the match outcome; also, they are much less well paid than the players (and therefore more readily 'bought'). However, using referees has disadvantages because the decisions they have to take to change significantly win probabilities tend to be quite dramatic (in football, the award of a red card, the award of a penalty) and therefore subject to unwelcome scrutiny and attention. Further, some sports have removed the scope for officials to exercise discretion by substituting the use of technology (for example, in cricket, it is often a critical event if a batsman is judged 'out' – and odds shift, sometimes substantially, when this happens – but now the batsman can ask to have the decision instantly reviewed and potentially overruled by camera-based technology). So, in the Bochum conspiracy, it was more common for the fixer on the ground to be a player than to be a referee (though the gang used both).[14] The players targeted particularly were goalkeepers and defenders, who have a high chance of conceding a goal if they make just a small technical error that is hard to detect as deliberate. Apart from referees and players, other sports-club staff have also been employed in fixes in the past, including coaches (who can select a weak team), team medical staff (who can give incorrect doses in injections or medicines in order to slow down players) and even stadium technicians (IRIS 2012).[15]

Although in the archetypical case a criminal gang pays individuals, most often players, engaged in some capacity in the production of the event, there are other possibilities. The gang may even buy a club as the vehicle for its manipulation of the sport. One such case to be revealed in the course of the Bochum investigation was that of the Belgian football club UR Namur. The club was in financial difficulty and gratefully accepted the offer of an injection of funds by an investor (a member of the gang). He installed his own (fake) Slovakian sports-management company, which then transferred in seven players it knew to be corruptible. Subsequent fixed matches yielded profits on the betting market comfortably in excess of the initial investment. A parallel case from 2004–5, detailed in IRIS (2012), was the purchase of the Finnish club AC Alliansi by an 'investor' from the Far East. Here, the appointment of a corrupt coach facilitated the subsequent rigging of results.[16]

Even if not directly under the control of criminal interests, it is also possible that a financially pressed club will itself instigate a fix if this offers a way of improving its cash flow. The Macedonian club FK Pobeda was in 2009 excluded from UEFA competitions for eight years following a fix which it instigated but where the betting was by a criminal

organisation. The club chairman instructed his players to lose a Champions League first qualifying round tie (which they had been expected to win) against an Armenian club. The information that FK Pobeda would lose was sold to criminals (who, unlike the club personnel, would have had knowledge of how and where to place large-scale bets) for €300,000; and very exceptional sums were subsequently observed to be staked in Asia on the Armenians winning. Had FK Pobeda progressed to the next round, it would almost certainly have been knocked out because clubs from stronger countries join the competition at that point; and its profit from the one extra round would have been a fraction of €300,000 (Forrest 2012a).

It is evident from the illustrations presented here that any definition of betting-related corruption in sport must be very broad if it is to encompass all the variations employed even in the one case of the Bochum conspiracy. We might define it as present whenever the conduct of a sports fixture is modified to serve the interests of someone who hopes, through exploiting knowledge of what is to occur, to make a return from the sports betting market.

It is also evident from the latter part of the discussion that weak governance and financial fragility, features of much of European football and of other sports, raise the risk of corruption and even of organised crime taking ownership of clubs (which also presents a route for gaining influence in the sports federation). Once in control, criminals can use clubs to fix matches for betting gain. But they may also use them for other illicit purposes. For example, loose accountability of cash flows associated with player transfers may facilitate money-laundering; and the informal convention that few rigorous checks are applied to sports delegations at borders may enable criminals to move around more easily and even to engage in smuggling.

Weak governance of sport is reflected in inadequate scrutiny by federations in issuing licences to clubs and assessing whether club owners are fit and proper persons to operate in the sport. It is also reflected in weak financial regulation and governing bodies tolerating that many clubs operate on the edge of financial collapse, which typically makes it cheap to gain a controlling interest. In any one season, many clubs are so close to insolvency that they even fail to pay their wages regularly. Both the club and its players are then vulnerable to offers from criminals. FIFPro (Fédération Internationale des Footballeurs Professionnels) is the federation of national football players' unions. For a report issued in February 2012, it questioned some 3,000 players in twelve countries in eastern and southern Europe.[17] Twenty-four per cent reported that they were aware of fixes that had taken place in their league, and 12 per cent that they personally had been approached to participate. A high correlation was noted with players who had experienced missed wage payments at their club.

Why might corruption have increased?

Economic analysis in this area has focused on the decision of an individual athlete whether or not to accept a bribe to fix a sports event. Such work (Forrest and Simmons 2003; Preston and Szymanski 2003) has adapted the framework proposed by Becker (1968). Becker represented any individual presented with the choice of whether or not to engage in a delinquent act, such as a crime or any form of corruption, as comparing the expected benefits with the expected costs.

In the present context, consider an athlete faced with the opportunity to collect a bribe (B) for successfully fixing a sports event. According to Becker's framework, he will accept this offer so long as B exceeds the expected cost of participation. Forrest and Simmons (2003)

portray the expected cost as made up of three components. First is the expected cost of sanctions if the offence is detected – for example, this may be the probability of detection multiplied by the present value of future earnings lost as a result of suspension from the sport. Second is the value to the athlete of any prize or glory that would have been won without the underperformance required by the corruptor. Third is the psychic cost to the athlete of any feelings of worry or shame that will be experienced because he cheats.[18] If he is risk-neutral, the athlete will reject the offer if the three components of expected cost sum to more than B. He will accept the offer if they sum to less than B. If he is a risk-lover, and perhaps professional athletes may be disproportionately likely to be risk-lovers, he may take the bribe even if B does not quite exceed the expected cost. The implications of the model are that a bribe of a given size is less likely to be accepted (1) the higher the chance of detection; (2) the greater the penalties/wages loss if detected; (3) the greater the significance of the match in terms of sporting glory; (4) the greater the individual's moral scruples.

This framework is useful to an extent. In general terms, it may help us to understand the pattern of corruption at any one time. For example, it predicts that older players will be more vulnerable to approaches because, for them, the present value of future earnings that could be lost will be low. For example, it accounts for the remarkable frequency of proven cases of fixing in American college sport where athletes are amateur, and so stand to lose no wages at all, and where the handicap style of betting requires corrupt athletes only to ensure that their team's margin of victory is below the bookmaker 'spread'; thus, they can still win the match and the glory. (They may also suffer little cost in terms of qualms of conscience since, while universities and broadcasters make a lot of money from college sport, they, the performers, are paid nothing.[19])

On the other hand, the framework appears inadequate to explain the time-series of corruption. We have the working assumption that there has been a growth in the incidence of corruption over just the past few years. However, it is not obvious that the factors on which the model focuses – wages, detection risk, moral scruples and so on – have changed across the board in the directions and to the degree which would be necessary to resolve the question of why the increase in corruption has occurred.

A broader framework is required. Previous treatments can be nested within such a broader framework because, essentially, the established model represents only the supply side of the market for fixes. Heterogeneity amongst athletes, for example in their pay or their moral sense or simply in their different perceptions of the consequences of taking bribes, will ensure an upward sloping supply curve: in any given sphere of sport, athletes collectively will be willing to supply more fixes, the greater the size of the bribe.[20]

But this supply-of-fixes curve must be matched with a demand curve for fixes if the picture is to be complete. The demand for fixes (by, let us say, criminal syndicates) is a derived demand, derived from the prospective win the criminals can make in the betting market from manipulating a single event. For a given betting market, the demand for fixes will be downward-sloping (if the bribe required is lower, the criminals will find it profitable to seek to proceed with more fixes).

In a demand–supply model, there is an equilibrium price (here, size of bribe) and an equilibrium quantity (here, number of fixes per period). For the incidence of fixing to have grown, either the demand curve or the supply curve or both must have shifted to the right. But we have argued that the supply curve is likely to have been relatively stable. The increase in the incidence of fixing must therefore be associated with an increase in demand. We argue below that this is plausibly what has occurred. Why is there more demand for fixing? Why has organised crime joined the market for fixes, adding to demand for fixes? We contend that

it is because those who buy a fix can now win much more money from a given fix than they would have been able to in the past. This, in turn, is explained by radical and rapid change in the architecture of betting during the past decade.

The new, contemporary betting environment

Sports betting has undergone revolutionary change and growth during the period since e-commerce began to affect the sector, at about the time of the Millennium. In general terms, the effects of e-commerce in the economy as a whole were similar to those associated with previous breakthroughs in transport and communications technology such as the railways or telephony. New technology enabled consumers to choose from more potential suppliers. As a result, the market environment became more competitive, value for money improved for consumers (as economic rents associated with local monopolies were dissipated), and aggregate consumption grew in response. These effects were exactly those observed in the betting sector (Forrest 2012b).

In Europe in particular, latent demand for sports-betting was released by the emergence of opportunities to wager online. In Great Britain and Ireland, betting services had been relatively unrestricted, but oligopolistic pricing had left prices with scope to fall.[21] In most countries in Continental Europe, gambling was controlled by state-owned or state-sanctioned monopolists which either did not offer betting on sport (as in France, where only betting on horse-racing was permitted) or offered betting only at a high monopoly price. Once bets could be placed offshore, residents of jurisdictions where no betting was offered could do so for the first time. Elsewhere, they could bet more cheaply than before, and domestic bricks-and-mortar suppliers had to accept lower margins to retain custom.

Forrest (2012b) offered an illustration of just how much things improved for consumers. He examined odds offered by a major UK bookmaker, Ladbrokes, on results of football matches in the English Premier League (EPL). (Similar results were obtained for other European leagues and other operators.)

Suppose, in season 2000–1, the bettor had wagered on all three outcomes, home win, draw and away win, in each of the 380 matches in the EPL. The loss at Ladbrokes' odds would have been 11.13 per cent of stakes. The same process in season 2010–11 would have yielded a loss of 6.10 per cent of stakes (most of this dramatic fall in price occurred after 2007). Expected loss per unit stake therefore nearly halved. Further, those who bet large amounts would be likely to use comparison websites which allow a bet to be placed at the best odds available, for the particular bet, from a range of reputable operators. Using such a 'best odds' service reduced the expected loss to just 0.7 per cent of stakes, implying that 'price' was less than one-tenth of what it had been a decade earlier. The prior literature on the elasticity of demand for gambling services (surveyed in Swiss Institute of Comparative Law 2006) had pointed to consumption being highly sensitive to value for money. This would account for increasing interest in sports-betting during the past decade, as value for money improved, and it may be noted that this increase in quantity demanded showed up not just online but also affected bricks-and-mortar suppliers in markets where they had cut prices to be in line with those available on the Internet. For example, the participation rate in sports-betting with land bookmakers tripled between 1999 and 2010, according to the British Gambling Prevalence Survey 2010 (Wardle et al. 2011).

At the same time as volume of sports-betting in the European market was increasing in the more competitive environment, so too was that in Asia. In Asia, local factors stimulating demand included rapid income growth in China and India (respectively the largest sources of

stakes wagered on football and cricket matches taking place in Europe) and increased exposure to European sport through television. In Europe and Asia alike, the availability of online betting also stimulated demand because the technology facilitated product innovation, such as the routine availability of in–play betting.

It is difficult to quantify the rate of growth in betting volumes because many websites, particularly those serving the Asian market, operate without reporting requirements imposed by regulation. But H2 Gambling Capital estimates, quoted by RGA (2010), suggest an increase in the size of the global e-betting market from stakes of €16.4 billion in 2004 to €32.6 billion in 2008, with projection to €50.7 billion by 2012.[22] This is consistent with huge growth of liquidity in markets in both Asia and Europe. Moreover, e-commerce integrated these two previously separate markets: for example, Europeans could now readily access the Asian market, and Asian operators could pass on risk by 'laying off' parts of their betting liabilities to European operators. Monitoring of betting websites reveals just how integrated these markets now are. Odds movements first observed in Asia are followed in Europe within a minute. Asia here is the leader because betting volumes (on sports events held in Europe) are higher than those in Europe itself. What one has, which is a new phenomenon, is a highly liquid and integrated global betting market on sports matches taking place in Europe.

This contemporary development is likely to have elevated substantially the level of integrity risk. High liquidity is the friend of the fixer because it increases the amount that can be staked (and therefore the amount that can be won) without attracting undue attention and without his money driving the odds against himself. Of course, potential returns to a fix are also higher to the extent that bookmaker margins are now so slim.

Naturally, liquidity is highest for the most important events. Betting experts told IRIS researchers that the total staked on the 2011 European Champions League Final, Barcelona v. Manchester United, likely reached €1 billion.[23] However, of more concern in the context of the integrity issue is the smaller but still substantial volumes of trading in markets on matches in much lower status competition. IRIS researchers asked traders with experience in Asia how much an agent could bet on the outcome of a Belgian Second Division match. Divided across the principal pan-Asian operators, it was suggested that €200,000–300,000 could be bet. In the Bochum trial, the list of bets placed by the accused included a €36,000 wager on the outcome of a Fourth Division fixture in Turkey. Betting at these orders of magnitude is plainly capable of generating profits that would enable criminals to make offers of bribes which are very high relative to the levels of players' wages in these lower tiers of competition. Although the criminal cases surveyed above occasionally related to major leagues, most observed fixes took place in lower divisions of national football leagues. It is the level of liquidity in the betting market relative to the level of wages paid to players that makes these lower-tier competitions in Europe so evidently open to corruption. The increase in the size of the global betting market, the lower bookmaker commissions to be deducted from the criminals' expected profit and the technical ability of criminals to access the high volume Asian market all follow from the changes wrought by the Internet on the betting environment. Together, it is plausible that these changes will have raised the demand for fixes and the quantity of fixes carried out. In this sense, there is justification for the proposition that online betting has been a strong contributory factor to the evident increase in corruption in sport.

The role of the Asian market

The remarkable levels of betting turnover in Asia – even, as we remarked, on low levels of competition in football (and indeed on events in lower-profile sports) – motivates criminal

interests based anywhere in the world to pass their bets through Asian operators. It is easy to hide substantial wagers amongst high volume. But it is not only the volume that attracts. It is also that the organisation of betting in Asia makes it straightforward to bet, in effect, anonymously, and without traceability of funds back to where they originate.

The organisational structure of the betting industry in Asia has been shaped by the fact that betting in much of the continent, including China and India, is illegal. Just as in the USA (Strumpf 2003), prohibition has not prevented street-level bookmakers from providing betting services that are easy to access for most of the population. But because local bookmakers tend to lack the capital to take on risk themselves (for example, a pattern of sports results might leave them with net losses over a period, and considerable reserves may be needed to pay out bettors in that case), they typically pass on wagers up a pyramid of city-wide and regional traders, so that large numbers of bets are amalgamated at each level and the risks pooled. Finally, any residual risks are managed by placing bets with any of four supra-national operators. At this point, the bets become legal because the supra-nationals are licensed (in the Philippines). But the regulation is light. In Europe, online providers of gambling services, just as with other financial organisations, are typically required to 'know their customer'. The major Asian operators are not to be doubted in terms of probity, but they do not know their customers. They take bets which are amalgamations of perhaps thousands of bets made with local illegal operators. These combined bets can be very large, such that fixers' money can readily be included without attracting suspicion, and the sources of the bets cannot be traced. And there is no incentive by those lower down the pyramid to refuse money from known fixers; in fact, there is an incentive to deal with fixers since the local bookmakers can then join in by betting on their own account as the money and risk is passed up the pyramid.

Asian organised crime has been implicated in several high-profile cases of corruption of European sport, but so too have been criminals based in eastern and southern Europe. But in one sense it can be said fairly that Asia is the primary source of the new problems faced by sport because it is the enthusiasm for betting in Asia that has made the greatest contribution to the huge level of liquidity in contemporary betting markets. It is this that enables the increase in corruption. Moreover, the lack of transparency in transactions conducted through Asian operators further facilitates corruption, just as it would be expected to do in any other financial market where large flows of money move anonymously and without regulatory oversight.

Solutions?

In seeking solutions to the problems that have emerged, a number of actors have a role: governments, police, gambling regulators, the betting industry, the sports sector. The range of countermeasures to have been proposed is wide, and we organise our discussion of them by focusing on the idea that there is a 'market for fixes'. For any illicit market, those aiming to contain its size have access to three categories of policy: they can simply attempt to disrupt the market by making transactions between buyers and sellers difficult; or they can work on reducing demand; or they can work on reducing supply. For example, authorities could tackle the narcotics problem by disrupting trade (e.g., intercepting shipments), by measures to reduce demand (e.g., drugs education) or by measures to reduce supply (e.g., paying farmers overseas to grow alternative crops). We think that such a taxonomy of policy measures provides a coherent framework for thinking about responses to the problem of betting-related corruption of sport. Under each heading, responsibility falls to different

degrees on the various actors from whom action is necessary to contain or reduce the level of corruption.

Disruption of trade

Measures under this heading make it harder to arrange fixes. An extreme historical example from the 1920s, recounted by Munting (1996), is that the English Football League attempted to keep its fixtures secret because then pools providers could not print their entry forms. The episode was short-lived, proving impractical, not least because fans prefer to know which opposition team will be turning up at their ground. More modest and realistic measures have been introduced to deal with what contemporary sports perceive (we think correctly) as the elevated integrity risks in our time. Following the American referee corruption scandal in 2007, the National Basketball Association was the first league to take up the idea that the officials to referee each match should be allocated only shortly before game time: even if a gang has a referee on its payroll, if it does not know until late whether he will be involved in a particular match, plans for dripping money into the market will not be easy to draw up and execute. In professional tennis, the governing body included in its anti-corruption programme a rule banning players from taking mobile phones into the stadium, in an attempt to prevent their receiving instructions from corruptors. Requiring players to open their telephone records to scrutiny similarly has the effect of making one means of communication impractical to employ. Boxing and skating have modified systems of judging, in the first case to compel judges to record each hit electronically and in the second to exclude the highest and lowest judge scores from counting in the determination of the outcome (Maennig 2009). These changes block off a route to corrupting the contest.

No doubt measures such as those presented here as illustrative examples make some contribution to limiting the number of instances of corrupt practice. However, it may be remarked that experience of anti-drug programmes (whether referring to illicit recreational drugs in society or performance-enhancing drugs in sport) suggests that there is a limit to the extent to which they can suppress a market in which there is willing supply and willing demand. Further, measures such as those described carry a resource cost that may be disproportionate to the costs of corruption. In cricket, umpires in international cricket are effectively prevented from being able to fix matches by provision for instant video review when the player disagrees with a call. This is sensible because international cricket generates very substantial broadcasting revenues (an India–Pakistan World Cup match was reputed to have attracted the largest television audience in the history of sport), and therefore protection of credibility has a high expected benefit. But in lower tiers of the game, which face an integrity risk because the betting market is still large, profits would be insufficient to bear the cost of similar technology at every match. Proportionality is an important principle: anti-corruption measures should be expanded only so long as the marginal cost does not exceed the marginal social gain (Maennig 2002). As in all areas of negative behaviour, the optimal level of delinquency is not likely to be zero (Becker 1968). On the other hand, there are a number of factors which indicate that the optimal (or better, 'tolerable') level of corruption is only a little more than zero. One case of corruption alone can cause significant marginal social damage, since in general it may result not only in a considerable loss of image for the perpetrator but also for the sporting discipline as a whole and even for sport in general, and may not necessarily stop at the borders of the individual country involved. Moreover, the measures already undertaken by sports associations and the potential further measures indicate that the social marginal costs

of avoiding corruption in sport could be kept relatively low, given a skilfully designed combination of measures.

The principle of proportionality will notwithstanding also be raised in our discussions of other measures.

Supply-side policies

Policy here is intended to make athletes (and other sports insiders) less likely to accept a given bribe offered to them. We return to our supply-side model where athletes are thought of as comparing the size of the bribe with their perception of the expected cost of agreeing to a bribe. Acceptance is less likely: the greater the chance of detection, the greater the financial loss if detected, the greater the loss of glory by underperforming and the greater the disutility from the act of criminality. Each of the many policy options is intended to work by modifying one of these factors driving the athlete's decision.

Perhaps little can be done about addressing the moral sense of the athlete; but policies may in some circumstances modify the other components in the calculus. It should be reiterated that the expected cost that drives each individual's decision is a perceived cost. This accounts for the emphasis the major professional sports such as football and cricket place on player education. For example, UEFA has developed educational material intended to raise awareness among young players of the dangers they face if they cooperate with fixing. In principle, the programmes should have some effect since young players may be naive and subject to 'grooming' by senior or former players, who command their respect but who are in fact agents of corruptors. The UEFA material makes these young players aware of cases where promising players like them have had their careers ended very early and quickly by detection of their cooperation in fixing. And even if not caught this time, they should be made aware that their association with criminals may make them effectively prisoners throughout their careers. We referred above to the infamous case where the captain of the South African cricket team, in return, as it proved, for a very modest reward, deliberately arranged for his country to lose a match against England. The investigation revealed that he had first agreed to a fix as a very young player when he was paid to ensure his team's defeat in a low-profile domestic match. That he agreed to that first fix was perhaps not surprising. His actions must have seemed inconsequential because it was a multi-day format, and he took the bribe with one day's play remaining, when the score to date indicated that defeat was almost certain anyway. But the criminals, having once employed him, then ensured his continuing cooperation throughout his career by threatening exposure of his past corrupt behaviour. A short-term decision that likely appeared rational at the time therefore carried huge long-term cost. Education programmes raise awareness of possible costs of associating with criminals and therefore reduce the proportion of athletes who would otherwise take the decision to offend without complete information. They appear to be worth carrying out; but appraisal of the extent of their success is difficult, and, again, experience of drugs education does not encourage hope that impact from provision of education alone will be dramatic. For certain milieux of athletes, at least, strong discounting of the future is a defining feature of their preferences and lives.[24]

'Harder', more direct policies seek to modify behaviour by increasing the loss players will suffer if they are exposed as having fixed matches. Governments have a role here as specific offences with which fixers may be charged may require to be enshrined in legislation if the losses are to include criminal penalties such as imprisonment. Italy, Spain and Portugal are amongst countries to have enacted new laws defining corrupt practice in the context of sport.

But this is an area where evidence sufficient to support criminal conviction is hard to accumulate, and therefore sports more often have to rely on their own disciplinary procedures, where standards of proof may be less (the concept of 'balance of probability' rather than 'beyond reasonable doubt' typically prevails), to provide effective deterrence. It then follows that sports governing bodies must have clear rules and codes of practice which define unacceptable practices by athletes and all others associated with the sport. The UK government has used its influence as a provider of subsidies to recreational sports to ensure that all sports governing bodies which it recognises have written codes relating to betting; this new requirement was redundant in cricket and football where awareness of the issues had already been high, but it was felt necessary to compel sports, such as badminton, with less tradition of association with betting, but which might become at risk if its events are streamed over the Internet all over the world, to give themselves more protection.

The most common penalty imposed by a sport if a player or official is found to have fixed an event is a life ban from the sport. This implies a loss of future earnings; and the higher the loss, the greater the expected cost of fixing, and the lower the probability that the player or official will transgress. This suggests that high wages offer some protection from fixing and, in their paper written in the aftermath of the South African scandal, Preston et al. (2001) proposed a wholesale restructuring of cricket competitions designed specifically to support higher remuneration as a defence against corruption. But, of course, it is often impractical in sport to increase wages further because market size in minor leagues is insufficient to support high wages. Even where wages are high, older players and many referees (subject in football to a low compulsory retirement age) have low future earnings because little remains of their careers, and the disincentive effect of high wages is weak in this case. One option may be that suggested by the deferred-payments model (Lazear 1979). Sports could offer part of the remuneration of players and referees in the form of end-of-career bonuses or pensions (Maennig 2002). Such payments could be made contractually conditional on non-violation of integrity codes throughout a playing career.

Whatever the level of the potential loss of wages, the disincentive effect of a ban will be weak if it is weighted by a low probability of being caught. Sport at the highest level has therefore invested relatively heavily in the past decade in security and investigation units (the International Cricket Council was the earliest to set up its own international anti-corruption unit for investigating fixing, staffed by former police officers, and the model was quickly followed by tennis); and the IOC (International Olympic Committee) and UEFA are amongst the governing bodies to allocate funds to monitoring of betting markets in the hope of identifying where investigation might be productive. Provision for 'whistle-blowing' by other players aware or suspicious that fixing has taken place has also been made available in the leading sports.

A more radical measure, advocated, for example, by Hill (2009a), would be for sports corruption agencies to employ agents provocateurs to approach players with offers of bribes. Newspapers (*News of the World*, 1 May 2010 and 28 August 2011) have exposed leading players in snooker and cricket as corruptible by such a strategy. Indeed, the imprisonment of three members of the Pakistan national cricket team was the result of their agreeing to a fix that was proposed by 'bettors' who were in reality journalists. Accepting a 'bribe' or even failing to report the approach could be made an offence in the sport's code of practice, equivalent to actual fixing. Though entrapment is regarded by many as a morally questionable strategy for authorities to adopt, its potential for raising the expected cost of saying 'yes' to an invitation to fix is plainly considerable.

Another element in the expected cost calculus is the expected value of any loss of prize money or sporting glory when deliberately losing a match. Preston and Szymanski (2003)

advocated reducing the number of one-day cricket internationals because there are so many that players' prestige is unaffected if one is lost. Forrest et al. (2008) noted that a player or team has little incentive to win an early-round match in an elimination tournament (unless with a good chance of, say, reaching the final) because prize money is typically low at that stage; real-locating total prize money for the tournament to offer more reward for passing through the early rounds may moderate integrity risk. Hill (2009a) proposed that leagues should be structured to minimise the number of instances of late season matches which are 'meaningless' for one or both of the teams. The prize structure in the EPL conforms to this principle. The very substantial revenue from broadcasting revenue is distributed between clubs according to finishing position, providing a steep relationship between revenue and final position. Clubs have a strong incentive even to finish, for example, tenth instead of eleventh, and the high marginal benefit of extra wins, even for mid-table teams, is likely to be reflected in player win-bonus arrangements, making it less likely they will sell the match. Again, while these suggestions are based on plausible argument, they are all likely to be capable of being operationalised only in the top tiers of sport. In lower tiers, for example, there may be too little total prize money for restructuring to produce high enough marginal-benefit-per-extra-win to counteract the attraction of a bribe to a corruptible player.

Demand-side policies

Our consideration of supply-side policies focused primarily on measures to be considered by sport itself. This was because fixes are supplied by sports players and other sports insiders. But the demand for fixes originates in the betting sector because it is there that criminals can make illicit profits, to be achieved by buying fixes from the sports sector. Consequently, policies towards sports betting now become the primary focus of the discussion.

We have identified high liquidity as fuelling what appears to be an epidemic of match-fixing. This makes taking liquidity out of betting markets seem the most obvious course for policy to take. And indeed, many sports lobbyists, governments and regulators of gambling are drawn to ideas based on the prohibition or restriction of sports betting. After all, if there were no betting markets, there would be no betting-related manipulation of sports events.

But, regardless of practicality, approaches based on prohibition and restriction should be considered with caution. Opponents of gambling may agree with Samuelson (1976: 425), who wrote that gambling 'involves simple sterile transfers of money or goods between individuals, creating no new money or goods'. However, an alternative perspective is that gambling produces benefit to those who participate because it is entertaining, exciting or a satisfying test of the application of knowledge or skill. In fact, betting could at least equally plausibly be represented as a recreational or entertainment good and one, moreover, which is a complement to sport: those who watch sport, by placing wagers, can make themselves stake-holders in the outcome of the contest, making the event more exciting and appealing. Sports can therefore gain more revenue, for example from sale of broadcasting rights, because the existence of betting markets adds to demand for their product. European football in particular attracts large rights revenues from Asia where its appeal is no doubt enhanced by the strong interest there in betting on the matches.

Economists measure the social value of consumer goods, including leisure goods, by measurement of consumer surplus. The Australian Productivity Commission (1999, 2010) estimated consumer surplus from each gambling sector in Australia, developing a methodology that incorporated a deduction in respect of stakes placed by 'problem' (addicted) gamblers.

Even with their most pessimistic assumptions about the social costs of gambling, consumer surplus was sufficiently large to generate a substantial net benefit. The social loss from prohibition would therefore be likely to be substantial, and there would similarly be social costs, in the form of loss of consumer surplus, associated with restrictions on type of bet. For example, a contemporary trend is towards betting in play. This may pose elevated integrity risk because fixers are enabled to profit from manipulating just one phase of a match. But the market demonstrates a consumer preference for in-play betting, and restrictions against in-play betting would therefore carry a social cost, borne by consumers and in the form of loss of consumer surplus. Any proposal for prohibition or restriction should therefore raise questions of the proportionality of the policy relative to any gains achieved.

In any case, practicality makes it unconvincing that legislation to prohibit or restrict gambling would make substantial inroads to the problem. For many decades, betting on single events (i.e. gambling on sport, except through the sports lotteries permitted in a few places) was prohibited in all states of the USA other than Nevada. A group in the Senate waged a long campaign to procure federal legislation that would prevent even Nevada sports books from accepting bets on college or other amateur sports. Their intention was to protect young college sportsmen from corruption, following a long history of scandals. But they ignored that betting, though illegal, was nevertheless a flourishing industry outside Nevada, readily accessible through illegal operators, and, according to Strumpf (2003), attracting turnover nearly fifty times as high as the legal sports books in Nevada. So outlets for betting on college sport would have remained available despite the legislation. Moreover, without a parallel legal market, more fixes would go undetected. For example, illegal bookmakers hedge some risk into the legal sector, where irregular betting patterns can then be observed. Indeed, several documented fixing cases were first reported by the legal operators in Nevada (Forrest et al. 2008).

This American debate finds its echoes in Europe. Consider the example of France. Until 2010, the only betting permitted in France was on horse-racing. But pressure for reform built as a result of both the evasion of the law by French residents, who could now access foreign online betting sites, and the need to respond to legal cases that implied an obligation for the market to be open to suppliers from other parts of the European Economic Area (according to the notion of the Single Market for goods and, as in this case, services). The new Loi 476/210 permitted licences for sports betting to be granted to websites operating with a .fr suffix, but with regulatory restrictions on both pricing and the type of bet (the subject of betting) allowed. Operators could pay back only 85 per cent of stakes as winnings, a ceiling that was considerably lower than that available on international websites. The idea of a ceiling was to make betting unattractive to potential addictive gamblers, but it was also reasoned that fixing would be less profitable when operators could offer only such ungenerous odds. However, the reality is that it is technically difficult, and perhaps politically unviable, to prevent individuals from accessing foreign websites. Given the comparatively poor returns in the new legal market, the bulk of French sports betting continued to be extraterritorial. MAG (2011) estimated that 75 per cent of sports betting was still through 'unauthorised' outlets.

The constraints on national regulators seeking control over options available to their populations are therefore strong in the new technological era. An even greater constraint on using regulation to protect domestic sport is that national betting is only a small part of the now globalised world betting market. Liquidity in markets for betting on events in Europe rests primarily on the strength of demand in Asia, and corrupt money is unlikely to pass through national operators in the case of manipulation of sport by organised crime.

Restrictions at the national level are therefore likely to be ineffective in protecting sport in any single country from corruption, though effective regulation remains desirable for detecting and deterring the more local, relatively petty crime that has featured in sport since earlier times. National gambling regulators may also be proactive in providing an institutional setting for monitoring betting markets and investigating suspicious events in domestic sport.

The principal source of the major problems we have identified is the Asian betting market, on account of both its size and its lack of transparency. International concerns have prompted police in China and other Asian countries to detect and shut down illegal betting operations. This may take liquidity out of the market for a time but no doubt other operations will arise to take their place. In the long term, the largest contribution to containing corruption would be the regularisation of Asian betting. A few jurisdictions, for example, Hong Kong in 2003, have introduced legal betting on European football in order to repatriate some of the funds wagered with the illegal sector. But China and India, the largest markets, appear to be far from the point at which they would be willing to legalise and regulate sports betting by their citizens. On the other hand, it may be noted from the history of gambling that the single greatest stimulus to legalisation is the observation of large outflows of gambling expenditure to operations elsewhere. Bringing a significant part of Asian liquidity within the scope of effective regulation, with full traceability of bets, would make it much harder for criminals to support the present levels of bribe that are now on offer in the market for sports corruption.

Notes

1 Maennig (2005, 2009) provides a tabular overview.
2 An almost exactly parallel case was uncovered by police in Romania in 2011, when the chairman of the referees' association was arrested for having agreed to appoint sympathetic referees to help a club whose chairman had paid him €19,000 (*Romanian Times*, 26 September 2011). In another sport, a member of the Greek delegation offered a German referee €20,000 to favour his team in a match v. Montenegro in the EuroBasket championship (*Le Monde*, 7 September 2011).
3 Hill (2009a) also notes that although the transcripts he studied had been published in the press, no sanctions had been imposed on the club in question. Where corruption is normal in the member clubs, it is unlikely that an anti-corruption stance will be taken at the league level.
4 See, for an example, IRIS (2012: 28).
5 Loss of confidence in the integrity of events also, of course, has the potential to undermine the betting industry. Ironically, corruption of Asian football leagues led to Asians switching their interest to betting on European football. This helped create extra liquidity in betting markets on matches in Europe, making them in turn more attractive to match fixers.
6 In this case, the sportsmen acted in return for substantial payments from 'bettors' who were in reality undercover reporters.
7 One player was even taken away by the police from the training camp of the Italian national team while it prepared for the European Championship, prompting the country's president to wonder whether professional football should be suspended for two years while, presumably, it was cleansed.
8 Another example of fortuitous discovery of a football fix related to the Italian match between Poganese and Cremonese in November 2010. One of the Cremonese team was involved in a road accident after the game, and hospital blood tests discovered the presence of a sedative. An inquiry established that the goalkeeper had spiked his team mates' drinks to make them underperform.
9 Historically, American college football and basketball has been the sector of sport with perhaps the greatest incidence of fixing scandals. Its vulnerability is likely to be related to the existence of a very active betting market in a context where the sportsmen are not paid (Forrest et al. 2008).
10 See www.bbc.co.uk/news/world-europe-117896721 (accessed June 2013).

11 Those offering bribes could have been on either side of the market, i.e. bettors or bookmakers.

12 The meaning of a session varies slightly according to whether the match is played in the one–day or multi–day format. For example, in multi–day fixtures, each day's play is conducted in three sessions to permit breaks for 'lunch' and 'tea'.

13 There is an exact parallel here with insider traders in other financial markets, such as those who know that a company is to announce bad news at a specific time and can then engage in trades to make a profit, achieved at the expense of uninformed participants in the market.

14 Hill (2009a) built a database of 'fixed' football matches from court reports and newspaper archives. He found no statistically significant difference in the success rate (the desired result occurred) of conspiracies using referees and players. But caution must be exercised to the extent that there is likely to be selection bias from the sample. Only fixes and attempted fixes that came to light were included.

15 In 1997, two English First Division football matches were abandoned because of floodlight failure. The technicians had been bribed to turn out the lights on a specified score line being reached. Asian markets pay out on the basis of the score at the time a match is abandoned. Though not themselves responsible for executing the fix, players' agents comprise another group of sports insiders to have been implicated in the process of corruption, serving as intermediaries through whom corruptors can establish first contacts with players judged vulnerable to an approach (Hill 2009b). Networks of insiders are necessary if gangs are to become able to fix matches on an extensive scale.

16 Police attention followed a match which the team lost 8–0. The coach had selected a very weak team.

17 The *FIFPro Black Book*, downloadable from www.fifpro.org (accessed June 2013).

18 In principle, this third cost component could become a benefit if the athlete enjoys the thrill of crime or, for example, the feeling that he is gaining revenge against an employer for some grievance.

19 Resentment against the employer appears as a factor in many fixing cases. To reprise some cases discussed above, the Chicago team that lost the 1919 World Series was the best in baseball but the worst paid. The Pakistan cricket team is remunerated worse than other national teams in contemporary cricket. The *FIFPro Report* found that football players were more likely to be approached with bribes where their clubs had not paid their wages to schedule.

20 Becker (1968: 176) pointed out that 'Some persons become "criminals" not because their basic motivation differs from that of other persons, but because their (perceived) benefits and costs differ.'

21 'Price' in a gambling environment is usually defined by analysts as the average loss per unit bet. A fall in price is observed as odds become more generous to the bettor.

22 For alternative estimates on the volume of betting cf. SportAccord (2011) and GBGC (2011).

23 Similar total stakes are estimated in the case of the highest-profile one-day cricket internationals.

24 In this context, one should mention the survey of athletes undertaken by Dr Bob Goldman from Chicago. When asked whether they would take a drug that enabled them to remain unbeaten for five years (without being punished) but whose side effects would subsequently cause them to die, over half the respondents replied that they would (Bird and Wagner 1997: 751).

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24

FREEDOM OF INFORMATION AND CORRUPTION

Ben Worthy and Tom McClean

Freedom of Information (FOI) and other transparency laws are routinely advocated by activists, politicians and officials as powerful anti-corruption weapons. Promoting government transparency, it is argued, allows countries cheaply and effectively to discipline public officials and politicians through the threat of exposure. FOI laws and, more recently, online transparency, will thus 'clean up' government.

The rise of transparency as central reform and goal of policy-makers has been powered by a mixture of technological change, ideological shifts and political crisis (see Hood 2010). The information revolution has effectively eliminated many costs associated with obtaining, storing, processing and diffusing information, bringing swifter access to larger amounts of data than ever before (Castells 1996; Keohane and Nye 1999; Margetts 2011: 518). The ideological revolution of neo-liberalism sharpened an emphasis on consumer and citizen rights to access data on performance and shifted the political discourse on public administration. Finally, transparency has been advocated as a solution to the falling levels of trust and participation, the so-called 'democratic' crisis, and is increasingly supported by supranational institutions such as the World Bank and the European Union (Osterdahl 1998: 345–6, notes 11–14; Blanton 2007: 245). Both governments and NGOs are now increasingly advocating transparency also as a means to empower citizens and as a lever to access social and economic rights, particularly in the developing world (Darch and Underwood 2010).

In this chapter we look at a series of high-profile exposures of corruption by transparency laws, from the UK to Ireland and from the Philippines to India, where transparency laws have exposed local and national corruption. This chapter argues that making FOI work as an anti-corruption weapon is not simple. The availability of official information is only a necessary condition for success. FOI laws combat corruption only in conjunction with institutions, norms and contingent circumstances which empower organised groups in society to hold those in power to account – be they NGOs, as in India, or journalists, as in the UK. For FOI to work it needs the right time and place and must ally itself with other accountability tools. The chapter ends by considering a new force for anti-corruption working alongside FOI, the rise of online transparency, which may face similar obstacles.

FOI and corruption

In this chapter, the focus is on FOI laws. FOI provides access to official documents on request, subject to specified exemptions covering certain kinds of information or public bodies. Requests must be answered within a deadline. Every FOI has an appeal system and an enforcement mechanism: this often comprises an Information Commissioner or a Tribunal. Most FOI regimes also commit public bodies to publishing information proactively. There are now more than ninety such laws across the world, the oldest being Sweden's from 1766 and then the USA in 1966. They spread to Commonwealth countries in the 1980s. India passed a law in 2005, China a Regulation on Openness in 2007 and Russia an FOI law in 2010.

Although there are many forms of transparency, from access to public meetings to Open Data, we focus on FOI, as the existence of such a law remains a benchmark measure of transparency for Freedom House's Freedom in the World (2009) and the Economist Intelligence Unit's Index of Democracy (2007). There is a growing literature on what makes a FOI law 'effective' (Ackerman and Sandoval-Ballasteros 2006; Vleugels 2010).

Supporters and advocates hope that FOI will bring many universal benefits including increased transparency and accountability. These would have further beneficial spin-off effects, increasing public understanding and increasing trust (see Hazell et al. 2010; Darch and Underwood 2010). Some also see it as an important precondition for individuals meaningfully to exercise many civil, political and social rights and entitlements (e.g., Banisar 2005; Birkinshaw 2006a; Belski 2007: 5; Florini 2007; Darch and Underwood 2010). Others advocate it for its salutary effects on democratic life more generally: in representative democracies, this is usually framed in terms of improved electoral control (e.g., Piotrowski 2007: 107–8; Ramkumar and Petkova 2007: 283; Sunstein 1986: 890; Bunyan 2000).

Exposure of corruption is both a reason for passing FOI and an aim. Public pressure for an access to information law frequently emerges from high profile scandal: 'Public scandals and crisis caused by blatant corruption, incompetence or dishonesty have been perhaps the single most critically important factor in increasing public awareness of the need for transparency laws' (Darch and Underwood 2010: 53). In countries as diverse as Ireland, Japan and Thailand, scandals over infected meat or rigged exams helped build pressure for FOI legislation (Darch and Underwood 2010: 40–1).

Once in place, an FOI law should then work to prevent corruption. Access to information and potential disclosure, it is argued, encourages public authorities to be responsive, predictable, efficient and effective in the formulation and execution of public policy (Florini 1998: 53–6; Finkelstein 2000: 6–7; Roberts 2003: 14–20; OECD 2005: 2; Heald 2006: 64). It may also discourage graft and corruption while encouraging the rational allocation of public resources (Prat 2002, 2006; Birkinshaw 2006b: 56). In this sense, FOI works to resolve the pervasive problem of public choice theory, whereby principals only have very imperfect information about what their agents are doing. It could then deter 'classic' corruption activities from wasteful spending (Niskanen 1971) and poor performance (Downs 1967) to personal enrichment.

Two causal mechanisms are thus at work. First, FOI exposes wrongdoing, providing the principals with the information they need to hold their agents in government to account (see RTI Assessment and Analysis Group and National Campaign for People's Right to Information 2009; Roberts 2010; Worthy 2010). Second, these laws discourage wrongdoing in the first place, through the so-called 'law of anticipated reactions' (Maravall 1999: 155): public officials in countries with a high degree of transparency anticipate exposure, and

avoid engaging in corrupt conduct to avoid future punishment. By its very existence, FOI may provide a check on those inclined to corruption: 'Ordinary citizens need access to government held information in order to exercise their rights in just about every phase of their lives . . . without it they are ready prey to the corrupt and the abusive' (Darch and Underwood 2010: 40–1).

While the possible effects are clear, analysis is difficult. Proving the existence of corruption itself is fraught with difficulties, and proving a link between the existence of a law and any change is even more so. Any attempt to measure it raises questions of how and whether those seeking out corruption can access the information and then use it effectively (Darch and Underwood 2010: 35–43). An early study published by the World Bank found positive relationships between a proxy for FOI, freedom of the press and control of corruption, and between 'voice and accountability' and GDP (Vishwanath and Kaufmann 1996: 21, 25) as did a later paper (Islam 2006). Yet the causal direction from transparency to low corruption is open to question: one study has found that economic development, which is also broadly associated with low levels of corruption, may be a contributor to the introduction of an access law (Relly and Cuillier 2010). More problematically, Costa found that the relationship between FOI and corruption varies and that in some cases an access law is associated with more corruption (Costa 2007). One possible risk is that transparency may actually drive corruption even further from the public eye; just as it is claimed that FOI drives decision-making off paper, so it may drive illegal activities even further from public view (see Hazell et al. 2010).

Proving if or how a FOI system has changed a political culture is also difficult. An innovative study by Lagunes (2009) in Mexico made a series of identical FOI requests posing as an ordinary citizen and one whose name would suggest high political 'connections' but found that it made no difference to outcomes. Similar studies in India by Peisakhin and Pinto (2010) and in Ireland (McDonagh 2010) examined how FOI may have changed political cultures and particular practices.

A further weakness concerns the assumed link between two distinct senses of the word accountability: the right to demand an account from public officials and the power actually to hold them to account for their behaviour. This link has often simply been assumed, especially in the 'practitioner' literature (cf. Manin, et al. 1999; Strøm 2000). However, as shown below, accountability itself is a complex and multifaceted process, requiring other mechanisms to do either 'accountability' properly. (For a discussion, see Hazell et al. 2010: 117–31.)

The politics of transparency and corruption

There has been an increasing number of empirical studies of FOI. To date, much of this literature has sought to explain the worldwide trend towards formal transparency laws (Ackerman and Sandoval–Ballasteros 2006; Roberts 2006). But it parallels a slightly earlier shift in the focus of the literature on corruption (Rose-Ackerman 1999; Treisman 2000).

More recent studies of FOI have examined to what extent the objectives set for it can be realised and under what conditions in the UK (Hazell et al. 2010; Worthy 2010; Worthy et al. 2011), India (RTI Assessment and Analysis Group and National Campaign for People's Right to Information 2009; Roberts 2010), China and, more recently, the Arab world (Piotrowski et al. 2009; Weibing 2010; Relly and Cuillier 2010). For example, studies of accountability, the objective most closely related to anti-corruption, have highlighted how FOI can work to expose wrongdoing but needs particular circumstances and is often driven by particular groups (Cain et al. 2003; Worthy 2010).

Many of these studies have highlighted the ideographic nature of FOI, showing that FOI laws work differently in different countries and even within different institutions (Darch and Underwood 2010; Worthy 2010). How exactly transparency policies fare may relate to particular political environments and contexts (Darch and Underwood 2010: 7). Politics also complicates the process: FOI creates 'a legal framework based on reasonableness' operating 'in an unreasonable environment' (White 2007: 295).

To illustrate the nuances around how FOI can work as an anti-corruption tool, we highlight a selection of high-profile 'corruption' cases exposed by transparency legislation in four different countries and environments. While FOI has played a key role in each, examination reveals it works best in particular circumstances and alongside other forces for accountability, such as journalists or NGOs. Given the relative youth of many Acts, establishing whether it changes 'corrupt' cultures and practices remains unclear.

FOI in the UK: MPs' expenses

The exposure of MPs' expenses abuse in the UK in May 2009 stands as one of the largest and most high-profile anti-corruption cases yet: 'the most commonly cited example of FOI use by the media to hold public authorities to account' (MOJ 2011: 57).

A four-year battle using FOI requests led to the collation of all MPs' expenses onto a single disc. In 2009, the 'raw', uncensored version was leaked to a national newspaper. The scandal revealed a whole range of abuses from 'allegations of serious dishonesty' with the flipping of houses to some 'creative abuses of the rules' (Leyland 2009: 676). It led to the first resignation of the Speaker of the House since the 1690s, as well as several ministers, unprecedented number of MPs deciding to step down and the jailing of a number of MPs for fraud. It also led to the creation of an outside body, the Independent Parliamentary Standards Authority (IPSA), to oversee expenses, and fed into a variety of proposed constitutional reforms including changes to the national voting system (Kelso 2009, 2011).

Yet a number of features about the case show how unusual this may be. The first point is that FOI did not work alone. FOI was crucial to the collation of all MPs' expenses on one disc. An official analysis of FOI in the UK concluded, 'The release of this information ultimately came via a leak rather than in response to FOI requests; however, it was the existence of the FOI requests and the subsequent appeals which precipitated the story' (MOJ 2011: 57). However, two of the journalists responsible for the scandal spoke of how the leak was what transformed the story: much of the information about MPs abusing the system of allocating a home, the so-called 'flipping', would have remained hidden if the information was revealed only by FOI (Winnett and Rayner 2009: 347).

Second, although it appeared as a 'revelation', the scandal had been building since 2005, pursued doggedly by a few journalists over the course of four years. It was the result of many other failed FOI requests and a number of tip-offs (see Brooke 2010; Winnett and Rayner 2009). Third, it was shaped by the wider circumstances, particularly the decision by the House of Commons authorities to fight the requests through the appeal system all the way to the High Court and its failure to deal with the possible exposure earlier. The 'paralysis' within the leadership in Parliament exacerbated the effects of the scandal (see Bourke and Worthy 2011: Hazell et al. 2012). The Kelly Review that followed the scandal spoke of how 'a number of those who ought to have shown leadership in maintaining high standards failed at key points to do so' (Kelly 2009: 2).

In terms of whether the scandal has changed culture within Parliament or British government more generally, opinion is divided as to whether Parliament has been transformed or is

merely going through the motions (Bourke and Worthy 2011; Bourke et al. 2012). Politicians and officials are likely to take more care with expenses, but it is not clear that Parliament is now more 'open'. The continued political battle between some MPs and the new independent expenses body is evidence of continued resistance. One interesting consequence is the wave of interest in related topics. The scandal initiated FOI requests to local authorities, police forces and universities for details of salaries and expense accounts (see Worthy et al. 2011). In April 2012, for example, FOI requests to the Northern Irish Assembly revealed details of members' trips (BBC, 19 April 2012).

Even with so high-profile a scandal, FOI did not work alone. The particular circumstances of the case, the dogged pursuance by journalists, the reactions of the authorities and, most importantly perhaps, the leaking of the 'unredacted' information, all combined to create the conditions for a 'corruption' exposure.

FOI in Ireland: whither patronage?

The second case is that of Ireland. An FOI Act was passed in Ireland in 1997 following a scandal over infected beef. Irish politics is characterised by a culture of clientelism and patronage which can give way to corruption (Murphy 2000). It was hoped by some that access to inform-ation would allow the public to bypass the 'traditional' route to information and perhaps 'break up' clientelistic networks that could encourage corruption (McDonagh 2010: 88).

The Act has been used to reveal a number of links between the tourism minister and contractors and uncertainties over Irish banks before they collapsed that were not acted upon (*Irish Independent* 2008, 2009, 2010). Between 2008 and 2009, the Act worked in combination with parliamentary questions to gradually open up the issue of ministerial expenses in a slow-motion version of the UK's expenses scandal. This led to the resignation of the speaker of the lower house in October 2009 (*Sunday Tribune* 2009).

At local-government level, FOI has also scored some high-profile successes. In 2008, requests 'led to the conviction and imprisonment of an elected member of a local authority for obtaining money by false pretences for that authority' (McDonagh 2010: 87). One local authority was exposed by FOI when a request revealed collusion between senior officials and elected members to avoid payment for illegal parking fines (McDonagh 2010: 87). Since 2008, the *Irish Independent* has also been using requests to reveal councillors' heavy use of allowances and apparently extravagant spending for conferences and travel (*Irish Independent* 2008).

However, while FOI in Ireland has exposed cases of corruption, one study concluded that 'patronage, the dominant paradigm in the Irish system of local government' remains untouched by the law (McDonagh 2010: 81). This may be culturally because such behaviour is 'a deeply entrenched feature of Irish local and national politics' (McDonagh 2010: 88). An important point here is that FOI cannot replace the use of networks; TDs (Teachtaí Dála) and local politicians are not used to access information but as 'go-betweens' to obtain 'leverage' as these politicians 'are perceived as having the power to influence the local authority's decision-making process' (McDonagh 2010: 88).

The use of FOI in Ireland demonstrates some of the traits of FOI seen in the UK. Requests have been made by those already involved in accountability: journalists at the *Irish Independent*, who pursued ministerial expenses, and independent senator Shane Ross used FOI as part of a long-running personal crusade against corruption in Irish politics. Again, FOI works in combination with other mechanisms but only works so far; cultural habits and behaviour may not move as a result.

Right to Information in India: a weapon of the poor

The third case is the Indian Right to Information (RTI) Act. India presents one of the clearest instances of FOI (called a right to information in India) as both a cause and an effect (Roy and Dey 2002). The main impetus for this law came from an organisation called Mazdoor Kisan Shakti Sangathan (MKSS), which campaigned against low government wages (Economist 2001; Roy and Dey 2004: 4; Singh 2007: 25). MKSS is widely acknowledged to have been crucial to the introduction of India's Act (Roy and Dey 2004: 1). MKSS's combination campaigning for an Act used public audit hearings (*jansunwais*) to expose corruption and graft on a massive scale (Singh 2007: 27–9, 35–8), especially in the fields of food-rationing and construction.

Since the passage of the Act there has been a series of high-profile uses of RTI, many driven by NGOs using it on behalf of others. RTI is often used at local-government level about public services and public works, a frequent area of corruption (Roberts 2010: 927). This includes the use of RTI over a battle for unfairly withheld access to sanitation (*Frontline* 2010). The Mumbai-based organisation Satark Nagarik Sangathan (SNS) has used a series of RTI campaigns to help slum-dwellers prevent illegal demolition of their homes and to gain access to the proper amount of rations, having been deprived by corrupt shopkeepers (see SNS (no date) and Roberts 2010: 927). A succession of studies of the RTI concluded that, among other things, it has improved the quality of service provision, particularly for the poor (see Roberts 2010: 927; Darch and Underwood 2010: 43). There may be an interesting wave effect as a high-profile success by one NGO encourages others.

One recent study in India sought to prove to what extent RTI may now be a more potent 'legal' route to obtaining social rights than illegal methods. Using the idea of Lagunes (2009), Peisakhin and Pinto (2010) assigned individuals four routes to obtain a ration card: one group simply filled out an application, one paid a bribe, one submitted an RTI request, and one gave a letter of support. The study concluded that while bribery remained the most successful route, the RTI was the second most successful, though proving the causal link is difficult.

The example of India has proved to be one of the clearest examples of the use of transparency laws to prevent corruption. As elsewhere, RTI in India works with other 'tools' of accountability. Many of the cases of successful use are powered by NGOs on behalf of others, particularly as there are low levels of awareness of RTI rights among the populace (Roberts 2010: 927–8).

However, the Act faces numerous operational problems in terms of administration. Moreover, the press, which may be a crucial force in using FOI in the other cases, are not yet enthusiasts (see RTI Assessment and Analysis Group and NCPRI 2009; Roberts 2010: 927). Requesters also face hostility and even threats from officials, with one high-profile murder of an RTI campaigner (Roberts 2010: 928). India is a key example but remains imperfect.

FOI in the Philippines: downfall of a president

The final case is that of the Philippines, where FOI helped oust President Joseph Estrada in early 2001. This case underlines the importance of human agency and power structures as independent influences.

President Estrada's downfall was the result of a twelve-month investigation by the Philippine Center for Investigative Journalism (PCIJ). This investigation relied heavily on the Philippines' FOI and the access it provided to official records concerning real-estate and company transactions. The PCIJ eventually uncovered evidence of widespread corruption

involving a 'network of obscure companies and secret businesses spinning billions of pesos (tens of millions of US dollars) into the pockets of the president and his lavish households' as well as the acquisition of real estate and the construction of houses using public funds (Møller and Jackson 2002: 1). This evidence, published in a series of articles starting in August 2000, encouraged a groundswell of protest that overcame resistance from elected politicians and led to the Supreme Court ousting Estrada in January the following year.

The Philippines, like India, thus presents a fairly clear-cut case of civil society and popular mobilisation, enabled by a formal access to information law, overcoming political resistance and ensuring the accountability of corrupt political leaders. As in India, however, this explanation is not sufficient in and of itself. A study by the World Bank Institute emphasises the important role played by a small number of investigative journalists, who, like in the UK expenses case, were willing to run considerable personal risks to bring the evidence to light.

Moreover, another crucial factor appears to have been the inherently unstable power relations that bind corrupt regimes together. Again in parallel to the leak in the UK, a turning point in the Philippines appears to have been the decision by 'former Estrada crony, Governor Luis "Chavit" Singson' to lend public support to claims that Estrada had taken bribes (Møller and Jackson 2002: 21). This split encouraged mainstream media organisations to take an interest in the PCIJ's research, where previously they had 'felt stifled by Estrada's political and economic pressure to mute press criticism' (Møller and Jackson 2002: 21). Widespread public mobilisation, although crucial in the later stages after the Senate controversially voted not to impeach, followed these elite institutional developments.

Open Data and the future of transparency

The future of transparency may lie with a fusing of existing FOI law with technology and the emerging Open Data movement (see Darbishire 2011a, 2011b). The movement aims to use technology to enhance transparency, accountability and fight corruption (Darbishire 2011a).

In the UK, the new set of reforms involves publishing all local-government spending data over £500, all government contracts, details of central and local government salaries as well as a multitude of other information from ministerial meetings and gifts to online crime maps (see Cabinet Office 2011a). These reforms also contain an implicit anti-corruption aim: the publication of spending data, contracts or gifts can be seen as attempts to prevent inappropriate influence or corrupt spending. The agenda has a new twist, in that one of the hopes is that the public will themselves play a strong role in accountability, becoming 'armchair auditors' by using the data to hold public bodies to account (Cameron 2010).

There has been as yet little sign of an 'army' of armchair auditors. In June 2011, the Minister for Local Government praised the action of a group of bloggers in holding to account a flagship Conservative authority over its unusual contractual procedures, but a blogger calling himself the 'Reluctant Armchair Auditor' felt the data was 'not yet' of good enough quality or accompanied by sufficient context to be useful (*Guardian*, 8 July 2010, 24 November 2011). Local authorities surveyed have had varying levels of interest in their spending data (Halonen 2011; Worthy et al. 2011). Some have had interest from the public, but others have found little interest aside from those already engaged – particularly journalists (see Halonen 2011; Worthy et al. 2011). The government's Open Public Services White Paper admitted that organised groups will be the prime immediate users of open data (Cabinet Office 2011: 35–6). Early signs with the 'raw data' are the same as for FOI: it needs the right information,

with the right person (often already engaged in politics) to use information in this way. The data portal data.gov appears to be primarily used by technical innovators rather than political activists (Davies 2010).

It may be in the area of third-party innovations, where innovators do new things with the information, that it could have a real impact. One way this can be done is rather like an extension of FOI. While FOI can reach for pieces of information and collate them, Open Data can do this far more easily and quickly and on a far larger scale. In the UK, datasets have been built that allow rapid analysis of local government spending via a site called 'Openly Local' (see Worthy et al. 2011). In Croatia, one openness advocate patiently built a huge searchable database that revealed details of all government procurement across the country (Open Knowledge Foundation 2011).

There may be more proactive methods than databases. Openness advocates have pioneered a pan-African site that allows inhabitants to 'crowd-source' cases of bribery across different countries (Africa Technology and Transparency Initiative 2011, 2012). The MPs' expenses case was in part driven by a 'crowdsourcing' exercise by the *Guardian*. Nevertheless, such work is not a silver-bullet solution. Such 'crowdsourcing' is unlikely to replace established mechanisms as it may be skewered by biases due to political or professional influence and is reliant on 'a tiny subset of the crowd' (Clark and Logan 2011: 31; see also p. 26). Such 'fragile' work is often 'inconsistent', 'delicate' and 'likely to implode' unless closely watched and assisted (Clark and Logan 2011: 26). A further point is that such mechanisms need to 'lock-in' to strong accountability mechanisms and clear channels to pass the information through (E-democracy, 24 November 2010).

Conclusion

FOI has proved to be a powerful anti-corruption tool and 'works as a tool for accountability . . . when circumstances, information and opportunity converge' (Worthy 2010: 570). From the Palace of Westminster to the slums of Mumbai, access to information has proven itself to be a powerful tool in exposing corruption.

However, to work it needs particular factors in place. First, it needs to unearth the correct document or piece of information and that document needs to be relevant, timely and of interest. None of these is a given. Documents may not exist in the form needed or may not contain a decisive piece of evidence. It may also be that the information is not in one single place but is scattered across many different sources. FOI is often part of a piecing together of scattered information, a patient constructing of a 'jigsaw' of parts (Worthy et al. 2011).

Second, FOI rarely works alone. FOI as an accountability tool often forms part of a wider campaign, such as anti-corruption in India or the ongoing exposure of clientelist practices in Ireland. This lends the use of FOI momentum and means campaigns and groups can feed off each other.

Third, crucially, both FOI and now Open Data requires other pre-existing accountability mechanisms to work best. FOI exposure is frequently powered by journalists, NGOs, activists or, more rarely, politicians, who can dedicate the time, resources and energy necessary to it, sometimes against risk (Worthy et al. 2011).

However, while FOI can 'expose' wrongdoing, does it then help deter corruption? The evidence is unclear, not least because so many regimes are new and cultural change takes time. Exposure can deter but can also provoke resistance. The case of India seems to show that an FOI regime can exist alongside corruption, especially when such practices are deeply embedded. Perhaps the best hope for advocates is that FOI regimes can help keep up the

pressure for long enough and expose enough malpractice that the price of corrupt behaviour becomes too high.

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