

FILSAFAT KORUPSI

Kata "*korupsi*" datang dari kata "*corruptus*" yang mana dari Bahasa Latin, Maksudnya adalah "menjadi rusak" atau "patah". Tetapi korupsi tidak perlu mematahkan hukum. Sesungguhnya dalam banyak masyarakat yang korup, sistem yang legal adalah sungguh bercacat. Korupsi adalah tentang pemecahan secara sosial menetapkan harapan-harapan dari perilaku yang sesuai. Uang suap atau pembayaran kembali (reaksi) adalah sebagian besar bentuk korupsi dan melibatkan pembayaran suatu penjumlahan ditetapkan, suatu tertentu persentase dari suatu kontrak atau setimpal sokongan. Penipuan melibatkan manipulasi atau penyimpangan informasi, fakta-fakta dan keahlian untuk keuntungan pribadi oleh orang-orang mempercayakan untuk menyediakan kepada orang banyak baik. Penipuan adalah suatu tindakan penuh arti dan tidak meliputi kealpaan atau kelakuan tak senonoh tidak ada kemaauan atau kelalaian. *Sifat pilih kasih, Clientalisme, Cronisme* dan *Nepotisme* adalah penggunaan kekuasaan yang dipercayakan untuk menyediakan perawatan istimewa ke para teman, keluarga, famili atau siapapun menutup dan mempercayainya. Bentuk korupsi ini menonjol, sama halnya hal itu berhubungan dengan distribusi sumber daya seperti mempertentangkan akumulasinya. Korupsi adalah suatu pertukaran baik ekonomi maupun sumber daya sosial. Korupsi ekonomi adalah pertukaran barang-barang terukur seperti uang tunai, posisi pejabat atau barang-barang material, sedangkan korupsi sosial juga meliputi pertukaran kebaikan, pengakuan sosial dan kekuasaan yang tidak bisa secara langsung diterjemahkan ke dalam sumber daya material.

It is passive when, say, a public official overlooks the pollution of a water source. A useful distinction is that between grand and petty corruption, which points to differences in scale and frequency of **corruption**. Grand **corruption** is typically less frequent but involves larger sums of money being paid as kickbacks, e.g. during the procurement process for large-scale infrastructure projects. Petty **corruption**, by contrast, is more frequent and involves lesser sums of money or favours, e.g. cutting red-tape in applications for reservoir water abstraction or expediting a household's connection to municipal water supplies. **Corruption** almost always involves at least two actors – someone who gives the bribe and someone who receives it. This exchange is collusive in that these actors are on equal terms and both gain from the exchange. It is extortive when the bribe-taker exploits or blackmails the bribe-giver through mafia-style harassment or intimidation. Rent-seeking is sometimes used interchangeably with corruption. While there may be some overlaps, rent-seeking refers to an economic actor's pursuit of rents in the economy while **corruption** technically refers to an illegitimate transfer.

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Corruption

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The causes and effects of corruption, and how to combat corruption, are issues that are increasingly on the national and international agendas of politicians and other policymakers. For example, the World Bank has relatively recently come around to the view that economic development is closely linked to corruption reduction (World Bank 1997). By contrast, the *concept* of corruption has not received much attention.^[1] Existing conceptual work on corruption consists in little more than the presentation of brief definitions of corruption as a preliminary to extended accounts of the causes and effects of corruption and the ways to combat it.^[2] Moreover, most of these definitions of corruption are unsatisfactory in fairly obvious ways.^[3] Penyebab dan efek korupsi, dan bagaimana cara menyerang korupsi, adalah mengeluarkan itu terus meningkat pada [atas] nasional dan agenda politikus [yang] internasional dan lain penentu kebijaksanaan. Sebagai contoh, Bank Dunia mempunyai secara relatif baru-baru ini menyetujui kepada pandangan yang pembangunan ekonomi lekat dihubungkan ke pengurangan korupsi (Bank Dunia 1997). Sebagai pembandingan, konsep korupsi belum menerima banyak attention.[1] Pekerjaan konseptual ada pada [atas] korupsi terkandung dalam [kecil/sedikit] lebih dari yang presentasi [dari;tg] definisi korupsi [yang] ringkas sebagai persiapan untuk memperluas rekening/tg-jawab penyebab dan efek korupsi dan [jalanan/tatacara] untuk menyerang it.[2] Lebih dari itu, kebanyakan definisi korupsi adalah tak memuaskan [yang] yang [secara] wajar ways.[3] jelas nyata]

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1. Varieties of Corruption

Consider one of the most popular of these definitions, namely, ‘*Corruption is the abuse of power by a public official for private gain.*’^[4] No doubt the abuse of public offices for private gain is paradigmatic of corruption. But when a bettor bribes a boxer to ‘throw’ a fight this is corruption for private gain, but it need not involve any public office holder; the roles of boxer and bettor are usually not public offices. Pertimbangkan salah satu [dari] [yang] yang paling populer untuk definisi ini, [yang] yakni, ‘Korupsi adalah penyalahgunaan kekuasaan oleh suatu pejabat publik untuk keuntungan pribadi’^[4] Tidak diragukan penyalahgunaan [dari;ttg] kantor publik untuk keuntungan pribadi adalah skema korupsi. Tetapi ketika suatu penjudi menyuap suatu petinju untuk ‘lemparan’ suatu perkelahian ini adalah korupsi untuk keuntungan pribadi, tetapi [itu] tidak perlu melibatkan manapun pemilik kantor publik; peran petinju dan penjudi pada umumnya bukan kantor publik.

One response to this is to distinguish public corruption from private corruption, and to argue that the above definition is a definition only of public corruption.^[5] But if ordinary citizens lie when they give testimony in court, this is corruption; it is corruption of the criminal justice system. However, it does not involve abuse of a public office by a public official. And when police fabricate evidence out of a misplaced sense of justice, this is corruption of a public office, but not for private gain. Sese]Orang menjawab ini adalah untuk mencari korupsi publik dari korupsi pribadi, dan untuk membantah [bahwa/yang] di atas definisi sekedar definisi [dari;ttg] corruption.[5 publik] Tetapi jika warganegara biasa [berada/dusta] ketika mereka memberi kesaksian di (dalam) [pengadilan/lingkungan], ini adalah korupsi; [itu] adalah korupsi sistem peradilan pidana. Bagaimanapun, [itu] tidak melibatkan penyalahgunaan suatu kantor publik oleh suatu pejabat publik. Dan ketika polisi memalsukan membangun bukti ke luar dari suatu salah meletakkan kesadaran hukum, ini adalah korupsi suatu kantor publik, tetapi bukan untuk keuntungan pribadi.

In the light of the failure of such analytical-style definitions it is tempting to try to sidestep the problem of providing a theoretical account of the concept of corruption by simply identifying corruption with specific legal and/or moral offences. However, attempts to identify corruption with specific legal/moral offences are unlikely to succeed. Perhaps the most plausible candidate is bribery; bribery is regarded by some as the quintessential form of corruption (Noonan 1984 and Pritchard 1998). But what of nepotism? Surely it is also a paradigmatic form of corruption, and one that is conceptually distinct from bribery. The person who accepts a bribe is understood as being required to provide a benefit to the briber, otherwise it is not a bribe; but the person who is the beneficiary of an act of nepotism is not necessarily understood as being required to

return the favour. Dipandang dari sudut kegagalan . seperti (itu) analytical-style definisi dicoba di sini untuk mencoba ke sidestep permasalahan dalam menyediakan suatu rekening/tg-jawab [yang] teoritis konsep korupsi dengan hanya mengidentifikasi korupsi dengan [yang] sah/tentang undang-undang spesifik dan/atau penyerangan moral. Bagaimanapun, mencoba untuk mengidentifikasi korupsi dengan legal/moral spesifik penyerangan tidak mungkin untuk berhasil. Barangkali calon [yang] yang paling masuk akal adalah penyuapan; penyuapan dihormati oleh beberapa [seperti;sebagai;ketika] quintessential format korupsi (Noonan 1984 dan Pritchard 1998). Hanyalah . apa [yang] nepotisme? [Yang] sungguh pasti ini juga suatu format skema korupsi, dan apa yang itu secara konseptual beda dari penyuapan. Orang [siapa] yang menerima suatu uang suap dipahami sebagai hal yang memerlukan untuk menyediakan suatu manfaat kepada pemakan suap, jika tidak [itu] bukanlah suatu uang suap; tetapi orang [siapa] yang adalah penerima uang dari suatu tindakan nepotisme tidaklah perlu dipahami sebagai hal yang memerlukan untuk kembali[kan kebaikan [itu]].

In fact, corruption is exemplified by a very wide and diverse array of phenomena of which bribery is only one kind, and nepotism another. Paradigm cases of corruption include the following. The commissioner of taxation channels public monies into his personal bank account, thereby corrupting the public financial system. A political party secures a majority vote by arranging for ballot boxes to be stuffed with false voting papers, thereby corrupting the electoral process. A police officer fabricates evidence in order to secure convictions, thereby corrupting the judicial process. A number of doctors close ranks and refuse to testify against a colleague who they know has been negligent in relation to an unsuccessful surgical operation leading to loss of life; institutional accountability procedures are thereby undermined. A sports trainer provides the athletes he trains with banned substances in order to enhance their performance, thereby subverting the institutional rules laid down to ensure fair competition. It is self-evident that none of these corrupt actions are instances of bribery. Sesungguhnya, korupsi memberikan contoh oleh suatu array gejala [yang] [yang] berbeda dan lebar/luas [di/yang/ttg] mana penyuapan hanya satu sesama, dan yang lain nepotisme. Kasus Paradigma korupsi meliputi yang berikut. Komisaris perpajakan menggali publik monies ke dalam rekening bank pribadi nya, dengan demikian merusak orang banyak/masyarakat sistem keuangan. Suatu partai politik menjamin/mengamankan suatu suara mayoritas dengan pengaturan untuk kotak pemungutan suara untuk yang diisi dengan sumbang/palsu memilih dokumen, dengan demikian merusak proses yang elektoral [itu]. Suatu polisi memalsukan membangun bukti dalam rangka menjamin/mengamankan hukuman, dengan demikian merusak proses yang hal tentang pengadilan [itu]. Sejumlah para doktor menutup tergelong dan berkeberatan untuk bersaksi melawan seorang rekan kerja [siapa] yang mereka mengetahui telah (menjadi) lalai dalam hubungan dengan suatu operasi [yang] berhub. dg pembedahan gagal yang mendorong ke arah hilangnya hidup; prosedur tanggung-jawab kelembagaan dengan demikian digangsir. Suatu sports pelatih menyediakan atlit [itu] [yang] ia melatih dengan unsur dikutuk dalam rangka tingkatan capaian mereka, dengan demikian menumbangkan aturan yang kelembagaan yang diletakkan untuk memastikan kompetisi adil. [Itu] adalah self-evident yang tidak satupun merusak tindakan adalah kejadian penyuapan.

Further, it is far from obvious that the way forward at this point is simply to add a few additional offences to the initial 'list' consisting of the single offence of bribery. Candidates for being added to the list of offences would include nepotism,^[6] police fabricating evidence, cheating in sport by using drugs, fraudulent use of travel funds by politicians, and so on. However, there is bound to be disagreement in relation to any such list. For example, law enforcement practitioners often distinguish between fraud on the one hand, and corruption on the other.^[7] Most important, any such list needs to be

justified by recourse to some principle or principles. Ultimately, naming a set of offences that might be regarded as instances of corruption does not obviate the need for a theoretical, or quasi-theoretical, account of the concept of corruption. Lebih lanjut, [itu] adalah jauh dari jelas nyata [bahwa/yang] [jalan/cara] maju dalam posisi ini hanya untuk menambahkan beberapa penyerangan tambahan kepada awal 'mendaftar' terdiri dari penyerangan penyuapan yang tunggal. Calon untuk ditambahkan kepada daftar penyerangan akan meliputi nepotism,[6] polisi yang membuat bukti, menipu olahraga dengan penggunaan obat/racun, penggunaan dana perjalanan [yang] curang [oleh/dengan] politikus, dan seterusnya. Bagaimanapun, ada harus jadalah perselisihan paham dalam hubungan dengan manapun . seperti (itu) daftar. Sebagai contoh, praktisi pelaksanaan hukum sering membedakan antara penipuan pada [atas] [yang] satu tangan, dan korupsi pada [atas] other.[7] Paling utama, manapun . seperti (itu) daftar perlu untuk dibenarkan oleh kesulitan [bagi/kepada] beberapa prinsip atau prinsip. [Yang] akhirnya, menamai satu set penyerangan yang boleh jadi dihormati [ketika;seperti] kejadian korupsi tidak menyingkirkan kebutuhan akan suatu teoritis, atau quasi-theoretical, rekening/tg-jawab konsep korupsi.

As it happens, there is at least one further salient strategy for demarcating the boundaries of corrupt acts. Implicit in much of the literature on corruption is the view that corruption is essentially a legal offence, and essentially a legal offence in the economic sphere.^[8] Accordingly, one could seek to identify corruption with economic crimes, such as bribery, fraud, and insider trading. To some extent this kind of view reflects the dominance of economically focused material in the corpus of academic literature on corruption. It also reflects the preponderance of proposed economic solutions to the problem of corruption. After all, if corruption is essentially an economic phenomenon, is it not plausible that the remedies for corruption will be economic ones?^[9] [Seperti/Ketika] [itu] terjadi, ada sedikitnya satu strategi menyolok mata lebih lanjut untuk membuat garis demarkasi batasan-batasan tindakan jahat. Tersembunyi dalam sebagian besar literatur pada [atas] korupsi adalah pandangan yang korupsi sangat utama suatu penyerangan sah/tentang undang-undang, dan sangat utama suatu penyerangan sah/tentang undang-undang di (dalam) sphere.[8 yang ekonomi] [Yang] maka, orang bisa mencari untuk mengidentifikasi korupsi dengan kejahatan ekonomi, seperti penyuapan, penipuan, dan orang dalam [yang] berdagang. Sampai taraf tertentu pandangan macam ini mencerminkan kekuasaan [dari;ttg] material secara ekonomis dipusatkan di (dalam) jumlah/ kitab hukum [dari;ttg] literatur akademis pada [atas] korupsi. [Itu] juga mencerminkan jumlah lebih besar mengusulkan solusi ekonomi kepada permasalahan dalam [itu] korupsi. Betapapun, jika korupsi sangat utama suatu peristiwa ekonomi, apakah (itu) tidak masuk akal [bahwa/yang] perbaikan untuk korupsi akan [jadi] ones?[9 ekonomi]

But many acts of corruption are not unlawful. That paradigm of corruption, bribery, is a case in point. Prior to 1977 it was not unlawful for US companies to offer bribes to secure foreign contracts; indeed, elsewhere such bribery was not unlawful until much later.^[10] So corruption is not necessarily unlawful. This is because corruption is not at bottom simply a matter of law; rather it is fundamentally a matter of morality. Hanyalah banyak orang bertindak korupsi tidaklah tak syah. Paradigma korupsi itu, penyuapan, adalah contoh. Sebelum 1977 [itu] tidaklah [yang] tak syah untuk perusahaan AS untuk menawarkan uang suap untuk menjamin/mengamankan kontrak asing; tentu saja, di tempat lain . seperti (itu) penyuapan tidaklah tak syah sampai banyak later.[10] Maka korupsi tidaklah perlu tak syah. Ini adalah sebab korupsi tidaklah pada pokoknya hanya sesuatu yang hukum; melainkan [itu] pada dasarnya sesuatu yang kesusilaan.

Secondly, corruption is not necessarily economic in character. An academic who plagiarises the work of others is not committing an economic crime or misdemeanour; and she might be committing plagiarism simply in order to increase her academic status. There might not be any financial benefit sought or gained. Academics are more strongly motivated by status, rather than by wealth. A police officer who fabricates evidence against a person he believes to be guilty of paedophilia is not committing an economic crime; and he might do so because he believes the accused to be guilty, and does not want him to go unpunished. Economics is not necessarily involved as an element of the officer's crime or as a motivation. When police do wrong they are often motivated by a misplaced sense of justice, rather than by financial reward. Again, a person in authority motivated by sadistic pleasure who abuses her power by meting out cruel and unjust treatment to those subject to her authority, is not engaging in an economic crime; and she is not motivated by economic considerations. Many of those who occupy positions of authority are motivated by a desire to exercise power for its own sake, rather than by a desire for financial reward. Yang kedua, korupsi tidaklah perlu ekonomi sifatnya. Suatu akademis [siapa] yang *plagiarises pekerjaan* dari yang lain tidaklah melakukan suatu pelanggaran undang-undang atau kejahatan ekonomi; dan dia mungkin jadinya melakukan plagiat [yang] hanya dalam rangka meningkat/kan status akademis nya. [Di/Ke] sana tidak sampai manapun manfaat keuangan mencari atau memperoleh. akademis Jadilah lebih betul-betul termotivasi oleh status, dibanding/bukannya oleh kekayaan. Suatu polisi [siapa] yang memalsukan membangun bukti melawan terhadap seseorang ia percaya untuk;menjadi bersalah atas paedophilia tidaklah melakukan suatu kejahatan ekonomi; dan ia mungkin melakukannya sebab ia percaya terdakwa untuk;menjadi bersalah, dan tidak ingin dia untuk pergi tanpa hukuman. Ekonomi tidaklah perlu dilibatkan sebagai suatu unsur kejahatan petugas atau sebagai suatu motivasi. Kapan polisi berbuat jahat mereka adalah sering termotivasi oleh suatu kesadaran hukum salah meletakkan, dibanding/bukannya oleh penghargaan keuangan. Lagi, seseorang di (dalam) otoritas yang termotivasi oleh kesenangan sadistis [siapa] yang menyakititi [kuasa/ tenaga] nya dengan menakar perawatan tak adil dan kejam [bagi/kepada] [mereka/yang] tunduk kepada otoritas nya, tidaklah mulai bekerja suatu kejahatan ekonomi; dan dia tidaklah termotivasi oleh pertimbangan ekonomi. Banyak dari mereka yang menduduki posisi otoritas termotivasi oleh suatu keinginan untuk berlatih [kuasa/ tenaga] demi sendiri , dibanding/bukannya oleh suatu keinginan untuk penghargaan keuangan.

Economic corruption is an important form of corruption; however, it is not the only form of corruption. There are non-economic forms of corruption, including many types of police corruption, judicial corruption, political corruption, academic corruption, and so on. Indeed, there are at least as many forms of corruption as there are human institutions that might become corrupted. Further, economic gain is not the only motivation for corruption. There are a variety of different kinds of attractions that motivate corruption. These include status, power, addiction to drugs or gambling, and sexual gratification, as well as economic gain. Korupsi ekonomi adalah suatu format korupsi penting; bagaimanapun, bukan satu-satunya format korupsi. Ada format korupsi tidak ekonomi, mencakup banyak orang jenis korupsi polisi, korupsi hal tentang *pengadilan, korupsi politis, korupsi akademis, dan seterusnya*. Tentu saja, ada sedikitnya sebanyak format korupsi seperti ada institusi manusia yang mungkin menjadi dirusak. Lebih lanjut, keuntungan ekonomi bukanlah satu-satunya motivasi untuk korupsi. *Ada berbagai macam atraksi [yang] berbeda yang memotivasi korupsi. Ini meliputi status, [kuasa/ tenaga], kecanduan ke obat/racun atau perjudian, dan kepuasan seksual, seperti halnya keuntungan ekonomi.*

We can conclude that the various currently influential definitions of corruption, and the recent attempts to circumscribe corruption by listing paradigmatic offences, have failed. They failed in large part because the class of corrupt actions comprises an extremely diverse array of types of moral and legal offences. Kita dapat menyimpulkan [bahwa/yang] berbagai definisi korupsi [yang] berpengaruh, dan usaha yang terbaru untuk membatasi korupsi dengan daftar;lis penyerangan skema, sudah gagal;kan. Mereka gagal dalam [part;bagian] besar sebab kelas tindakan jahat meliputi suatu array [yang] berbeda jenis moral dan penyerangan sah/tentang undang-undang.

That said, *some* progress has been made. At the very least, we have identified corruption as fundamentally a moral, as opposed to legal, phenomenon. Acts can be corrupt even though they are, and even ought to be, legal. Moreover, it is evident that not all acts of immorality are acts of corruption; corruption is only one species of immorality. Consider an otherwise gentle husband who in a fit of anger strikes his adulterous wife and accidentally kills her. The husband has committed an act that is morally wrong; he has committed murder, or perhaps culpable homicide, or at least manslaughter. But his action is not necessarily an act of corruption. Obviously the person who is killed (the wife) is not corrupted in the process of being killed. *Moreover, the act of killing does not necessarily corrupt the perpetrator (the husband). Perhaps the person who commits a wrongful killing (the husband) does so just once and in mitigating circumstances, and also suffers remorse. Revulsion at his act of killing might cause such a person to embark thereafter on a life of moral rectitude. If so, the person has not been corrupted as a result of his wrongful act.*^[11] [yang] Dikatakan itu, beberapa kemajuan telah dibuat. Paling sedikit, kita sudah mengenali korupsi [sebagai/ketika] pada dasarnya suatu moral, sebagai lawan sah/tentang undang-undang, peristiwa. Tindakan dapat merusak sungguhpun mereka adalah, dan bahkan hendaknya jadilah, sah/tentang undang-undang. Lebih dari itu, [itu] adalah jelas bahwa tidak semua tindakan kecabulan adalah tindakan korupsi; korupsi hanya satu jenis kecabulan. Pertimbangkan suatu suami lembut menjadi kebalikannya [siapa] yang di (dalam) suatu cocok serangan kemarahan [yang] isteri [yang] berzina nya dan secara kebetulan membunuh nya. Suami telah melakukan suatu tindakan yang secara moral salah; ia telah melakukan pembunuhan, atau barangkali pembunuhan salah, atau sedikitnya pembunuhan. Tetapi tindakan nya tidaklah perlu suatu tindakan korupsi. [Yang] sungguh-sungguh orang [siapa] yang dibunuh (isteri) tidaklah dirusak sedang dalam proses dibunuh. Lebih dari itu, tindakan membunuh tidak perlu merusak pelaku [itu] (suami). Barangkali orang [siapa] yang melakukan suatu pembunuhan tidak adil/sah (suami) mengerjakan maka hanya sekali dan di (dalam) mengurangi keadaan, dan juga menderita penyesalan. Perubahan pada tindakan nya membunuh kekuatan menyebabkan orang seperti itu untuk menaikkan sesudah itu pada [atas] suatu hidup kejujuran moral. Jika demikian, orang belum dirusak sebagai hasil act.[11 tidak adil/sah nya]

An important distinction in this regard, is the distinction between human rights violations and corruption. Genocide is a profound moral wrong; but it is not corruption. This is not to say that there is not an important relationship between human rights violations and corruption; on the contrary, there is often a close and mutually reinforcing nexus between them (Pearson 2001). Consider the endemic corruption and large-scale human rights abuse that have taken place in authoritarian regimes, such as that of Idi Amin in Uganda and that of Suharto in Indonesia. And there is increasing empirical evidence of an admittedly complex causal connection between corruption and the infringement of subsistence rights; there is evidence, that is, of a causal relation between corruption and poverty. Indeed, some human rights violations are also acts of corruption. For example, wrongfully and unlawfully incarcerating one's political opponent is a human rights

violation; but it is also corrupting the political and judicial processes. Suatu perbedaan penting mengenai ini, adalah perbedaan antar[a] pelanggaran hak azasi manusia dan korupsi. Genocide adalah suatu moral dalam bersalah [kepada]; tetapi [itu] bukanlah korupsi. Ini adalah bukan untuk [tidak/jangan] kata[kan bahwa ada suatu hubungan penting antar[a] pelanggaran hak azasi manusia dan korupsi; sebaliknya, ada sering suatu dekat dan satu sama lain menguatkan nexus antar[a] [mereka/nya] (Pearson 2001). Pertimbangkan korupsi yang endemic dan penyalahgunaan hak azasi manusia besar-besaran yang sudah berlangsung rejim otoriter, seperti yang Idi Amin di (dalam) Uganda dan itu Suharto di (dalam) Indonesia. Dan di sana sedang meningkat(kan) keterangan empires dari suatu hubungan sebab-akibat terus terang kompleks antar[a] korupsi dan pelanggaran [hak/ kebenaran] penghidupan; ada bukti, yang [itu] adalah, tentang suatu hubungan menyebabkan antar[a] korupsi dan kemiskinan. Tentu saja, beberapa hak azasi manusia pelanggaran adalah juga bertindak korupsi. Sebagai contoh, salah dan secara tak syah incarcerating lawan seseorang politis adalah suatu pelanggaran hak azasi manusia; tetapi ini juga merusak proses hal tentang pengadilan dan yang politis.

Thus far, examples of different types of corrupt action have been presented, and corrupt actions have been distinguished from some other types of immoral action. However, the class of corrupt actions has not been adequately demarcated within the more general class of immoral actions. To do so, a definition of corrupt actions is needed, specifically for actions of corrupt institutions (Miller 2001, ch. 6). To this task we now turn. Sampai sekarang, contoh dari jenis yang berbeda jahat tindakan telah diperkenalkan, dan jahat tindakan telah dibedakan dari beberapa lain jenis tindakan mesum. Bagaimanapun, kelas jahat tindakan belum cukup membuat garis demarkasi di dalam kelas [yang] [yang] umum [dari;ttg] tindakan mesum. Untuk melakukannya, suatu definisi tindakan jahat diperlukan, terutama untuk tindakan institusi jahat (Tukang giling 2001, ch. 6). Pada tugas ini [yang] kita sekarang memutar.

2. Institutional Corruption

We begin with five hypotheses concerning institutional corruption before providing a summary of the concept. Kita mulai dengan lima hipotesis mengenai korupsi kelembagaan [sebelum/di depan] menyediakan suatu ringkasan konsep [itu].

2.1 Five Hypotheses Concerning the Concept of Institutional Corruption

First Hypothesis: The Personal Character of Corruption

Persons are relevantly involved in all corruption, and in institutional corruption in particular. Let us assume that there are at least two general forms of corruption, namely institutional corruption and non-institutional personal corruption.^[12] Non-institutional personal corruption is corruption of persons outside institutional settings. Such corruption pertains to the moral character of persons, and consists in the despoiling of their moral character. If an action has a corrupting effect on a person's character, it will typically be corrosive of one or more of a person's virtues. These virtues might be virtues that attach to the person qua human being, e.g. the virtues of compassion and fairness in one's dealings with other human beings. Alternatively — or in some cases, additionally — these virtues might attach to persons qua occupants of specific institutional roles, e.g. impartiality in a judge or objectivity in a journalist. Para orang secara relevan dilibatkan dalam semua korupsi, dan di (dalam) korupsi kelembagaan khususnya. Mari kita berasumsi bahwa ada sedikitnya dua format korupsi umum, korupsi yakni kelembagaan dan corruption.[12]

pribadi tidak kelembagaan] Korupsi pribadi tidak kelembagaan adalah korupsi para orang peraturan baku (di) luar. . seperti (itu) korupsi menyinggung kepada karakter moral para orang, dan terkandung dalam rampasan [dari;ttg] karakter moral mereka. Jika suatu tindakan mempunyai suatu merusak efek pada [atas] karakter seseorang, [itu] akan secara khas jadilah bersifat menghancurkan untuk satu atau lebih kebaikan seseorang. Kebaikan ini boleh jadi kebaikan yang menyertakan kepada orang sebagai manusia, e.g. kebaikan rasa kasihan dan kewajaran di (dalam) seseorang berhadapan dengan lain manusia. [Yang] sebagai alternatif-atau dalam beberapa hal, apalagi- kebaikan ini mungkin menyertakan ke para orang sebagai penghuni [dari;ttg] peran kelembagaan spesifik, e.g. kenetralan di (dalam) suatu [hakim/wasit] atau obyektifitas di (dalam) suatu wartawan.

Our concern here is only with institutional corruption. Nevertheless, it is plausible that corruption in general, including institutional corruption, typically involves the despoiling of the moral character of persons and in particular, in the case of institutional corruption, the despoiling of the moral character of institutional role occupants qua institutional role occupants. To this extent institutional corruption involves personal corruption. Note that personal corruption, i.e., being corrupted, is not the same thing as performing a corrupt action, i.e., being a corruptor. Typically, corruptors are corrupted, but this is not necessarily the case. Note also that corruptors are not simply persons who perform actions that corrupt, they are also morally responsible for this corruption. (As we shall see, there is one important category of corruptors which is an exception to this, namely corruptors who are not morally responsible for being corrupted, yet whose actions are both an expression of their corrupt characters and also have a corrupting effect.) The precise nature of corruptors and their relationship to the corrupted is discussed in more detail below. Di sini Perhatian [kita/kami] hanya dengan korupsi kelembagaan. Meskipun demikian, [itu] adalah masuk akal yang korupsi secara umum, mencakup korupsi kelembagaan, [yang] secara khas melibatkan rampasan karakter moral para orang dan khususnya, di (dalam) kasus [dari;ttg] korupsi kelembagaan, rampasan karakter moral [dari;ttg] penghuni peran kelembagaan sebagai penghuni peran kelembagaan. Pada luas korupsi kelembagaan ini melibatkan corruption. Note pribadi yang korupsi pribadi, yaitu., dirusak, bukanlah hal yang sama [seperti/ketika] melakukan/menyelenggarakan suatu tindakan jahat, yaitu., menjadi koruptor. [Yang] secara khas, koruptor dirusak, tetapi ini adalah tidak harus kasus [itu]. Catatan juga koruptor itu bukan sekedar para orang [siapa] yang melaksanakan tindakan yang merusak, mereka adalah juga [yang] bertanggung jawab untuk korupsi ini. (Seperti akan kita lihat, ada satu kategori koruptor [yang] penting [yang] yang mana [adalah] suatu perkecualian pada ini, yakni koruptor [siapa] yang tidaklah [yang] bertanggung jawab untuk dirusak, namun tindakan siapa adalah kedua-duanya suatu ungkapan [dari;ttg] karakter jahat mereka dan juga mempunyai suatu merusak efek.) Alam[!] koruptor yang tepat dan hubungan mereka kepada yang dirusak dibahas secara lebih detil di bawah.

Note also in relation to personal corruption that there is a distinction to be made between possession of a virtue and possession of a disposition to behave in certain ways. Virtues consist in part in dispositions, but are not wholly constituted by dispositions. A compassionate person, for example, is disposed to help people. But such a person also experiences certain emotional states, and understands other people in a certain light; compassion involves non-dispositional states. Moreover, a compassionate person has actually performed compassionate acts; he or she is not simply disposed to do so. Accordingly, while personal corruption may consist in part in the development or suppression of certain dispositions, e.g., in developing the disposition to accept bribes or in suppressing the disposition to refuse them, the development or suppression of such

dispositions would not normally constitute the corruption of persons. Thus a person who has a disposition to accept bribes but who is never offered any is not corrupt, except perhaps in an attenuated sense. Catatan juga dalam hubungan dengan korupsi pribadi yang ada suatu pembedaan untuk dibuat antar[a] pemilihan suatu kebaikan dan pemilihan suatu disposisi untuk bertindak jalan tertentu. Kebaikan berisi pada sebagian di (dalam) disposisi, tetapi tidaklah secara keseluruhan [didasari/buat] oleh disposisi. Seorang orang berbelas kasih, sebagai contoh, menginginkan; diinginkan membantu masyarakat. Tetapi orang seperti itu juga mengalami negara emosional tertentu, dan memahami orang lain di (dalam) suatu [cahaya/ringan] tertentu; rasa kasihan melibatkan negara non-dispositional. Lebih dari itu, seorang orang berbelas kasih telah benar-benar melakukan tindakan berbelas kasih; ia atau dia bukan sekedar menginginkan; diinginkan melakukannya. Maka, [selagi/sedang] korupsi pribadi boleh berisi pada sebagian di (dalam) pengembangan atau penindasan [dari;ttg] disposisi tertentu, e.g., di (dalam) mengembang;kan disposisi untuk menerima uang suap atau di (dalam) menindas disposisi untuk menolak [mereka/nya], pengembangan atau penindasan . seperti (itu) disposisi tidak akan secara normal [mendasari/membuat] korupsi para orang. [Dengan] begitu seseorang [siapa] yang mempunyai suatu disposisi untuk menerima uang suap tetapi [siapa] yang tidak pernah ditawarkan manapun tidaklah merusak, kecuali barangkali di (dalam) suatu [perasaan/pengertian] disusutkan.

Naturally, in the case of institutional corruption typically greater institutional damage is being done than simply the despoiling of the moral character of the institutional role occupants. Specifically, institutional processes are being undermined, and/or institutional purposes subverted. However, the undermining of institutional processes and/or purposes is not a sufficient condition for institutional corruption. Acts of institutional damage that are not performed by a corruptor and also do not corrupt persons are better characterized as acts of institutional *corrosion*. Consider, for example, funding decisions that gradually reduce public monies allocated to the court system in some large jurisdiction. As a consequence, magistrates might be progressively less well trained and there might be fewer and fewer of them to deal with the gradually increasing workload of cases. This may well lead to a diminution over decades in the quality of the adjudications of these magistrates, and so the judicial processes are to an extent undermined. However, given the size of the jurisdiction and the incremental nature of these changes, neither the magistrates, nor anyone else, might be aware of this process of judicial corrosion, or even able to become aware of it (given heavy workloads, absence of statistical information, etc.). It seems that these judges have not undergone a process of personal corruption, and this is the reason we are disinclined to view this situation as one of institutional corruption. Secara alami, di (dalam) kasus [dari;ttg] korupsi kelembagaan [yang] yang secara khas merusak kelembagaan lebih besar dilaksanakan dibanding hanya rampasan karakter moral penghuni peran yang kelembagaan. [Yang] secara rinci, proses kelembagaan digangsir, dan/atau tujuan kelembagaan ditumbangkan. Bagaimanapun, penggangsiran [dari;ttg] tujuan dan/atau proses kelembagaan bukanlah suatu kondisi cukup untuk korupsi kelembagaan. Tindakan [dari;ttg] kerusakan kelembagaan yang tidaklah dilakukan oleh suatu koruptor dan juga tidak merusak para orang menjadi lebih baik ditandai [ketika;seperti] tindakan [dari;ttg] karatan kelembagaan. Pertimbangkan, sebagai contoh, membiayai keputusan yang secara berangsur-angsur mengurangi publik monies mengalokasikan kepada sistem [pengadilan/lingkungan] dalam beberapa yurisdiksi besar. Sebagai konsekwensi, hakim boleh jadi semakin lebih sedikit sumur melatih dan di sana boleh jadi lebih sedikit dan lebih sedikit [mereka/nya] untuk berhubungan dengan secara berangsur-angsur meningkat(kan) beban kerja kasus. Ini boleh dengan baik mendorong kearah suatu pengurangan (di) atas dekade di [dalam] mutu putusan hakim [dari;ttg] hakim ini, dan demikian proses yang hal tentang pengadilan adalah [bagi/kepada] suatu luas menggangsir. Bagaimanapun, memberi ukuran yurisdiksi dan incremental alam[i] [dari;ttg] ini

berubah, [bukan/tidak] hakim, maupun seseorang selain itu, boleh jadi sadar akan proses ini [dari;ttg] karatan hal tentang pengadilan, atau genap mampu menjadi sadar akan itu (beban kerja berat/lebat yang diberi, ketidakhadiran [dari;ttg] informasi statistik, dll.). Tampaknya [hakim/wasit] ini belum mengalami suatu proses [dari;ttg] korupsi pribadi, dan ini adalah alasan [yang] kita adalah disinclined untuk memandang situasi ini [sebagai/ketika] salah satu dari korupsi kelembagaan.

One residual question here is whether or not institutional role corruption could exist in the absence of the undermining of institutional processes and/or institutional purposes. Perhaps it could not for the reason that an institutional role is defined in large part in terms of the institutional purposes that the role serves as well as the institutional processes in which the role occupant participates in the service of those institutional purposes. A possible counterexample might be that of a "sleeper": an official who accepts regular pay from a foreign spy agency but has not and perhaps never will be asked for any reciprocal service. At any rate, the close relationship between institutional roles on the one hand, and institutional processes and purposes on the other, explains why institutional corruption typically involves both the despoiling of institutional role occupants qua institutional role occupants and the undermining of institutional processes and purposes. Finally, we need to formulate the first hypothesis precisely. The hypothesis is that, to be corrupt, an action must involve a corruptor who performs the action or a person who is corrupted by it. Of course, corruptor and corrupted need not necessarily be the same person, and indeed there need not be both a corruptor and a corrupted; all that is required is that there be a corruptor or a corrupted person. Satu di sini pertanyaan bersifat sisa adalah ya atau tidaknya peran kelembagaan korupsi bisa ada di [dalam] ketidakhadiran penggangsiaran [dari;ttg] proses kelembagaan dan/atau tujuan kelembagaan. Barangkali [itu] tidak bisa untuk alasan yang suatu peran kelembagaan digambarkan [part;bagian] besar dalam kaitan dengan tujuan yang kelembagaan [bahwa/yang] peran bertindak sebagai baik seperti proses yang kelembagaan di mana penghuni peran mengambil bagian [jasa;layanan] tujuan kelembagaan itu semua . Suatu counterexample mungkin boleh jadi itu a " penidur": suatu pejabat [siapa] yang menerima upah reguler dari suatu agen mata-mata asing tetapi tidak mempunyai dan barangkali tidak pernah akan [jadi] diminta manapun [jasa;layanan] timbal balik. Bagaimanapun juga, hubungan erat antar[a] peran kelembagaan pada [atas] [yang] satu tangan, dan proses kelembagaan dan bermaksud pada [atas] lain, menjelaskan mengapa korupsi kelembagaan [yang] secara khas melibatkan kedua-duanya rampasan [dari;ttg] penghuni peran kelembagaan sebagai penghuni peran kelembagaan dan penggangsiaran [dari;ttg] proses kelembagaan dan purposes. Finally, kita harus merumuskan hipotesis yang pertama [yang] dengan tepat. Hipotesis adalah bahwa, untuk;menjadi merusak, suatu tindakan harus melibatkan suatu koruptor [siapa] yang melaksanakan tindakan [itu] atau seseorang [siapa] yang dirusak oleh itu. Tentu saja, koruptor dan dirusak tidak perlu perlu adalah sama orang, dan tentu saja [di/ke] sana tidak perlu jadilah kedua-duanya suatu koruptor dan suatu dirusak; (itulah) semua yang diperlukan adalah bahwa [di/ke] sana jadilah suatu koruptor atau seorang orang dirusak.

The first hypothesis expresses a necessary condition for an action being an instance of institutional corruption and, indeed, for its being an instance of corruption at all. This first hypothesis has turned out to be correct. Hipotesis yang pertama menyatakan suatu kondisi perlu untuk suatu tindakan menjadi kejadian [dari;ttg] korupsi kelembagaan dan, tentu saja, untuk/karena asalnya suatu kejadian korupsi sama sekali. Hipotesis [yang] pertama ini telah ternyata adalah benar.

Second Hypothesis: The Causal Character of Corruption

If a serviceable definition of the concept of a corrupt action is to be found — and specifically, one that does not collapse into the more general notion of an immoral action — then attention needs to be focussed on the moral effects that some actions have on persons and institutions. An action is corrupt only if it corrupts something or someone — so corruption is not only a moral concept, but also a causal or quasi-causal concept.^[13] That is, an action is corrupt by virtue of having a corrupting effect on a person's moral character or on an institutional process or purpose. If an action has a corrupting effect on an institution, undermining institutional processes or purposes, then typically — but not necessarily — it has a corrupting effect also on persons qua role occupants in the affected institutions. Jika suatu definisi [yang] dapat diperbaiki konsep suatu jahat tindakan (diharapkan) untuk ditemukan- dan secara rinci, apa yang itu tidak roboh ke dalam dugaan [yang] semakin umum dari suatu tindakan mesum- kemudian perhatian perlu untuk dipusatkan pada [atas] efek moral yang beberapa tindakan berakibat pada para orang dan institusi. Suatu tindakan adalah jahat hanya jika [itu] merusak sesuatu (yang) atau seseorang- maka korupsi tidaklah hanya suatu konsep moral, tetapi juga suatu menyebabkan atau quasi-causal concept.[13] Itu adalah, suatu tindakan adalah merusak berdasarkan atas mempunyai;nikmati suatu merusak efek pada [atas] karakter moral seseorang atau pada [atas] suatu proses kelembagaan atau bermaksud. Jika suatu tindakan mempunyai suatu merusak efek pada [atas] suatu institusi, penggangsiran proses kelembagaan atau tujuan, kemudian secara khas- tetapi tidak harus- [itu] mempunyai suatu merusak efek juga pada [atas] para orang sebagai penghuni peran di (dalam) institusi yang di/terpengaruh [itu].

In relation to the concept of institutional corruption, the second hypothesis states (as a necessary condition) that an action is corrupt only if it has the effect of undermining an institutional process or of subverting an institutional purpose or of despoiling the character of some role occupant qua role occupant. This hypothesis asserts the causal character of corruption. In this regard, note that an infringement of a specific law or institutional rule does not in and of itself constitute an act of institutional corruption. In order to do so, any such infringement needs to have an institutional effect, e.g., to defeat the institutional purpose of the rule, to subvert the institutional process governed by the rule, or to contribute to the despoiling of the moral character of a role occupant qua role occupant. In short, we need to distinguish between the offence considered in itself and the institutional effect of committing that offence. Considered in itself the offence of, say, lying is an infringement of a law, rule, and/or a moral principle. However, the offence is only an act of institutional corruption if it has some effect, e.g., it is performed in a courtroom setting and thereby subverts the judicial process.^[14] Dalam hubungan dengan konsep [dari;ttg] korupsi kelembagaan, negara hipotesis yang kedua (sebagai kondisi perlu) bahwa suatu tindakan adalah jahat hanya jika [itu] mempunyai efek menggangsir suatu proses kelembagaan atau menumbangkan suatu tujuan kelembagaan atau merampas karakter beberapa penghuni peran sebagai penghuni peran. Hipotesis ini menyatakan karakter korupsi yang menyebabkan. Mengenai ini, catat bahwa suatu pelanggaran suatu hukum spesifik atau aturan kelembagaan tidak di (dalam) dan [tentang] [dirinya] sendiri [mendasari/membuat] suatu tindakan [dari;ttg] korupsi kelembagaan. Dalam rangka melakukannya, manapun . seperti (itu) pelanggaran harus mempunyai suatu efek kelembagaan, e.g., untuk mengalahkan tujuan yang kelembagaan aturan, untuk menumbangkan proses yang kelembagaan yang diatur oleh aturan, atau untuk berperan untuk rampasan karakter moral suatu penghuni peran sebagai penghuni peran. Singkatnya, kita harus membedakan antara penyerangan [itu] mempertimbangkan dengan sendirinya dan efek yang kelembagaan melakukan yang penyerangan. yang dipertimbangkan Dengan sendirinya penyerangan, kata[kan, berbaring adalah suatu pelanggaran suatu hukum, aturan, dan/atau suatu prinsip moral. Bagaimanapun, penyerangan hanya suatu tindakan [dari;ttg] korupsi kelembagaan jika [itu] mempunyai beberapa efek, e.g., [itu] dilakukan [adalah]

suatu courtroom [yang] menentukan dan dengan demikian menumbangkan process.[14 yang hal tentang pengadilan]

A further point to be made here is that an act that has a corrupting effect might not be a moral offence considered in itself. For example, the provision of information by a corporate officer to an investor that will enable the investor to buy shares cheaply before they rise in value might not be a moral offence considered in itself; in general, providing information is an innocuous activity. However, in this corporate setting it might constitute insider trading, and do institutional damage; as such, it may well be an act of corruption. A final point concerns the alleged responsibility for corruption of external non-institutional actors in contexts in which there are mediating internal institutional actors. In general, an act performed by an external non-institutional actor is not an act of institutional corruption if there is a mediating institutional actor who is fully responsible for the institutional harm. Consider an accountant who is besotted with a woman with expensive tastes. His obsession with the woman causes him to spend money on her that he does not have. Accordingly, he embezzles money from the company he works for. There is a causal chain of sorts from her expensive tastes to his act of embezzlement and the consequent institutional harm that his act in turn causes. However, she is not an institutional corruptor; rather he is. For he is fully responsible for his act of embezzlement, and it is this act — and this act alone — that constitutes an act of institutional corruption. It does so by virtue of the institutional harm that it does.

Suatu titik lebih lanjut untuk dibuat di sini adalah bahwa suatu tindakan yang mempunyai suatu merusak efek tidak sampai suatu penyerangan moral mempertimbangkan dengan sendirinya. Sebagai contoh, ketetapan informasi oleh seorang petugas [perseroan/perusahaan] [bagi/kepada] suatu investor yang akan memungkinkan investor [itu] untuk membeli [bagian;saham] [yang] dengan murah [sebelum/di depan] mereka naik nilai tidak sampai suatu penyerangan moral mempertimbangkan dengan sendirinya; secara umum, menyediakan informasi adalah suatu aktivitas tidak bahaya. Bagaimanapun, di (dalam) [perseroan/perusahaan] ini pengaturan itu bisa [mendasari/membuat] orang dalam [yang] berdagang, dan lakukan kerusakan kelembagaan; sedemikian, mungkin baik jadilah suatu tindakan korupsi. Suatu titik akhir berhubungan dengan tanggung jawab yang dituduh untuk korupsi [dari;ttg] para aktor tidak kelembagaan eksternal di (dalam) konteks di mana ada sedang menengahi para aktor kelembagaan internal. Secara umum, suatu tindakan yang dilakukan oleh suatu aktor [yang] tidak kelembagaan eksternal bukanlah suatu tindakan [dari;ttg] korupsi kelembagaan jika ada suatu menengahi aktor kelembagaan [siapa] yang [yang] bertanggung jawab untuk kejahatan yang kelembagaan [itu]. Pertimbangkan seorang akuntan [siapa] yang adalah mabuk/ gila dengan seorang perempuan dengan rasa mahal. Obsesi nya dengan perempuan menyebabkan dia untuk membelanjakan uang pada [atas] nya bahwa ia tidak mempunyai. Maka, ia menggelapkan uang dari [perusahaan/ rombongan] [yang] ia bekerja untuk. Ada suatu rantai sort;jenis [yang] menyebabkan dari rasa [yang] mahal nya kepada tindakan korupsi nya dan kejahatan kelembagaan yang sebagai akibat yang tindakan nya pada gilirannya menyebabkan. Bagaimanapun, dia bukanlah suatu koruptor kelembagaan; melainkan ia adalah. Karena ia [yang] bertanggung jawab untuk tindakan korupsi nya, dan [itu] adalah tindakan ini- dan tindakan ini sendiri- itu [mendasari/membuat] suatu tindakan [dari;ttg] korupsi kelembagaan. [Itu] mengerjakan sangat berdasarkan atas kejahatan yang kelembagaan bahwa itu mengerjakan.

It might be argued that while she did not corrupt any institutional process or purpose, she nevertheless corrupted him qua role occupant, e.g., by undermining his disposition to act honestly. But she has done no such thing. Rather his disposition to act honestly has been undermined by himself, and specifically by his desire to please her coupled with his lack of commitment to the ethical and institutional requirements of his institutional role

as an accountant. Summing up, the second hypothesis states a necessary condition for an action being an instance of institutional corruption and, indeed, for its being an instance of corruption at all. This second hypothesis has turned out to be correct. Itu bisa berargumentasi bahwa [selagi/sedang] dia tidak merusak manapun proses kelembagaan atau tujuan, dia meskipun demikian merusak dia sebagai penghuni peran, e.g., dengan penggangsiaran disposisi nya untuk bertindak terus terang. Tetapi dia telah melakukan tidak benar. Melainkan disposisi nya untuk bertindak terus terang telah digangsiir sendiri, dan secara rinci oleh keinginan nya untuk menyenangkan nya menggabungkan dengan komitmen ketiadaan nya kepada kebutuhan [yang] kelembagaan dan yang etis [dari;ttg] peran [yang] kelembagaan nya sebagai suatu akuntan. Menjumlahkan, negara hipotesis yang kedua suatu kondisi perlu untuk suatu tindakan menjadi kejadian [dari;ttg] korupsi kelembagaan dan, tentu saja, untuk/karena asalnya suatu kejadian korupsi sama sekali. Hipotesis [yang] kedua ini telah ternyata adalah benar.

Third Hypothesis: The Moral Responsibility of Corruptors

The third hypothesis states that an action is corrupt only if the person who performs it either intends or foresees the harm that it will cause — or, at the very least, could and should have foreseen it. Let us say that this further necessary condition expresses the moral responsibility of corruptors.^[15] As noted above, there is one important exception to the moral responsibility of corruptors hypothesis. The exception is that sub-class of corruptors who are: (a) corrupt, but not morally responsible for being so, and; (b) whose actions are an expression of their corrupted characters and also have a corrupting effect. Negara Hipotesis yang ketiga yang suatu tindakan adalah jahat hanya jika orang [siapa] yang melaksanakan ia/nya baik berniat maupun meramalkan kejahatan [itu] bahwa itu akan menyebabkan- atau, paling sedikit, bisa dan [perlu] sudah meramalkan itu. Mari kita kata[kan] bahwa . ini kondisi perlu lebih lanjut menyatakan tanggung jawab moral corruptors.[15 [itu]] Seperti dicatat di atas, ada satu perkecualian penting kepada tanggung jawab moral hipotesis koruptor. Perkecualian adalah bahwa sub-class koruptor [siapa] yang adalah: (a) merusak, tetapi tidak [yang] bertanggung jawab untuk menjadi maka, dan; (b) tindakan siapa adalah suatu ungkapan [dari;ttg] karakter [yang] dirusak mereka dan juga mempunyai suatu merusak efek.

We need to invoke our earlier distinction between acts of institutional corruption and acts of institutional corrosion. An act might undermine an institutional process or purpose without the person who performed it intending this effect, foreseeing this effect, or indeed even being in a position such that they could or should have foreseen this effect. Such an act may well be an act of corrosion, but it would not necessarily be an act of corruption. Consider our magistrates example involving a diminution over time in the quality of the adjudications of these magistrates. Neither the government and other officials responsible for resourcing and training the magistracy, nor the magistrates themselves, intend or foresee this institutional harm; indeed, perhaps no-one could reasonably have foreseen the harmful effects of these shortcomings in training and failure to respond to increased workloads. This is judicial corrosion, but not judicial corruption.^[16] Kita harus memohon pembedaan [yang] lebih awal [kita/kami] antar[a] tindakan [dari;ttg] korupsi kelembagaan dan tindakan [dari;ttg] karatan kelembagaan. Suatu tindakan mungkin mengikis suatu proses kelembagaan atau bermaksud tanpa orang [siapa] yang melakukan ia/nya berniat efek ini, meramalkan efek ini, atau tentu saja genap yang sedang sanggup . seperti (itu) bahwa mereka bisa atau [perlu] sudah meramalkan ini mempengaruhi. Tindakan seperti itu boleh sungguh suatu tindakan karatan, tetapi [itu] tidak akan perlu jadilah suatu tindakan korupsi. Pertimbangkan contoh hakim [kita/kami] [yang] menyertakan suatu pengurangan dari waktu ke waktu di [dalam] mutu putusan hakim [dari;ttg] hakim ini. [Bukan/Tidak] pemerintah dan lain pejabat yang bertanggung jawab untuk resourcing dan

pelatihan dewan pejabat pemberlaku UU, maupun hakim diri mereka, berniat atau meramalkan kejahatan kelembagaan ini; tentu saja, barangkali tak seorangpun bisa layak sudah meramalkan efek yang berbahaya [dari;ttg] kekurangan ini di (dalam) pelatihan dan kegagalan untuk bereaksi terhadap beban kerja ditingkatkan. Ini adalah karatan hal tentang pengadilan, tetapi bukan corruption.[16 hal tentang pengadilan]

Because persons who perform corrupt actions (corruptors) intend or foresee — or at least should have foreseen — the corrupting effect their actions would have, these persons typically are blameworthy, but not necessarily so. For there are cases in which someone knowingly performs a corrupt action but is, say, coerced into so doing, and is therefore not blameworthy. So on this view it is possible to perform an act of corruption, be morally responsible for performing it, and yet remain blameless.

Moreover, we earlier distinguished between two species of corruptor. There are those corruptors who are morally responsible for their corrupt actions. And there are those corruptors who are not responsible for their corrupt character, but whose actions are: (a) an expression of their corrupted character, and; (b) actions that have a corrupting effect. Sebab para orang [siapa] yang melaksanakan tindakan jahat (koruptor) berniat atau meramalkan- atau sedikitnya [perlu] sudah meramalkan - merusak efek tindakan mereka ingin mempunyai, para orang ini [yang] secara khas adalah blameworthy, tetapi tidak harus maka. Karena ada kasus di mana seseorang [yang] dengan sadar melaksanakan suatu tindakan jahat tetapi adalah, kata[kan], dipaksa ke dalam sangat melakukan, dan kemudian bukan blameworthy. Maka pada [atas] ini memandang ia/nya adalah mungkin untuk melaksanakan suatu tindakan korupsi, jadilah [yang] bertanggung jawab untuk melakukan/menyelenggarakan itu, namun juga tinggal suci.

Lebih dari itu, kita lebih awal membedakan dua jenis koruptor. Ada koruptor itu [siapa] yang [yang] bertanggung jawab untuk tindakan jahat mereka. Dan di sana adalah koruptor itu [siapa] yang tidaklah [yang] bertanggung jawab untuk karakter jahat mereka, tetapi tindakan siapa adalah: (a) suatu ungkapan [dari;ttg] karakter dirusak mereka, dan; (b) tindakan yang mempunyai suatu merusak efek.

Accordingly, we now have a threefold distinction in relation to corruptors: (1) corruptors who are morally responsible for their corrupt action and blameworthy; (2) corruptors who are morally responsible for their corrupt action and blameless; (3) corruptors who are not morally responsible for having a corrupt character, but whose actions are: (a) expressive of their corrupt character, and; (b) actions that have a corrupting effect. The existence of the third category of corruptors demonstrates that the third hypothesis is incorrect. Maka, kita sekarang mempunyai suatu pembedaan lipat tiga dalam hubungan dengan koruptor: (1) koruptor [siapa] yang [yang] bertanggung jawab untuk tindakan jahat mereka dan blameworthy; (2) koruptor [siapa] yang [yang] bertanggung jawab untuk tindakan jahat mereka dan suci; (3) koruptor [siapa] yang tidaklah [yang] bertanggung jawab untuk mempunyai;nikmati suatu karakter jahat, tetapi tindakan siapa adalah: (a) ekspresif untuk karakter jahat mereka, dan; (b) tindakan yang mempunyai suatu merusak efek. Keberadaan [dari;ttg] kategori koruptor yang ketiga mempertunjukkan [bahwa/yang] hipotesis yang ketiga adalah salah.

Fourth Hypothesis: The Asymmetry between Corruptors and Those Corrupted.

The fourth hypothesis concerns persons — in the sense of institutional role occupants — who are corrupted. The contrast here is twofold. In the first place, persons are being

contrasted with institutional processes and purposes that might be subverted. In the second place, those who are corrupted are being contrasted with those who corrupt (the corruptors). Those who are corrupted have to some extent, or in some sense, allowed themselves to be corrupted; they are participants in the process of their corruption. Specifically, they have chosen to perform the actions which ultimately had the corrupting effect on them, and they could have chosen otherwise.^[17] In this respect, the corrupted are no different from the corruptors. Hipotesis yang keempat berhubungan dengan para orang- di (dalam) [perasaan/pengertian] [dari;ttg] penghuni peran kelembagaan - [siapa] yang dirusak. Di sini Kontras adalah dua kali lipat. Pada pokoknya, para orang dibandingkan dengan proses kelembagaan dan tujuan yang boleh jadi ditumbangkan. Di (dalam) tempat yang kedua, mereka yang dirusak dibandingkan dengan mereka yang merusak (koruptor). Mereka yang dirusak harus beberapa luas, atau dalam beberapa [perasaan/pengertian], mengijinkan diri mereka untuk dirusak; mereka adalah peserta sedang dalam proses korupsi mereka. [Yang] secara rinci, mereka sudah pilih untuk melaksanakan yang tindakan [itu] [yang] akhirnya mempunyai merusak efek pada [atas] [mereka/nya], dan mereka bisa sudah pilih otherwise.[17] Dalam semangat ini, yang dirusak adalah tidak (ada) berbeda dari koruptor [itu].

Nevertheless, those who are corrupted and those who corrupt may be different in respect of their intentions and beliefs concerning the corrupting effect of their actions. Specifically, it may not be true of those who allow themselves to be corrupted that they intended or foresaw or should have foreseen this outcome. This is especially likely in the case of the young and other vulnerable groups who allow themselves to be corrupted, but cannot be expected to realise that their actions, or more likely omissions, would have this consequence.^[18] Consider the case of children recruited into Hitler's Youth Movement (Hitler Jugend) who were inducted into the practice of spying on their classmates, teachers, and even parents, and reporting to the Nazis any supposedly suspicious or deviant activities. Meskipun demikian, mereka yang dirusak dan mereka yang jahat mungkin (adalah) berbeda menyangkut kepercayaan dan niat mereka mengenai merusak efek [dari;ttg] tindakan mereka. [Yang] secara rinci, mungkin tidak benar dari mereka yang mengijinkan diri mereka untuk dirusak bahwa mereka berniat atau meramalkan atau [perlu] sudah meramalkan hasil ini. Ini adalah terutama mungkin di [dalam] kasus muda dan lain kelompok peka [siapa] yang mengijinkan diri mereka untuk dirusak, tetapi tidak bisa diharapkan untuk menyadari bahwa tindakan mereka, atau lebih mungkin penghilangan, ingin mempunyai consequence.[18 ini] Pertimbangkan kasus anak-anak merekrut ke dalam Pergerakan [Masa/Kaum] muda Hitler'S (Hitler Jugend) [siapa] yang telah dilantik ke dalam praktek memata-matai teman sekelas mereka, para guru, dan bahkan orang tua, dan melaporkan kepada Nazis manapun [yang] curiga atau deviant aktivitas.

Moreover, even normally endowed adults who are placed in environments in which there are subtle and incremental, but more or less irresistible, inducements to engage in legal or moral offences, can gradually and imperceptibly become corrupted. Consider a young police officer who has just started working in the narcotics area. Keen to 'fit in', he foolishly accepts a minor 'gift' of money from a senior police officer without knowing what it is for; he has committed a relatively minor legal infraction. Later on at a drunken party he reluctantly agrees to smoke a cannabis joint with some of his new colleagues (another minor legal infraction). Still later he is informed that the payment was his 'cut' of an unlawful drug deal. This is done in the context of his being enthusiastically welcomed as 'one of them', albeit the dire consequences of 'ratting' on one's fellow police officers are also made clear. Confused and scared he fails to report this unlawful payment; now he has committed a serious offence. The police officer is compromised,

and compromised in a corrupt and intimidating police environment. He is on the proverbial slippery slope. Lebih dari itu, bahkan orang dewasa [yang] diberkati [siapa] yang ditempatkan lingkungan di mana ada sulit dipisahkan dan incremental, tetapi kurang lebih tidak dapat bertahan, bujukan/rangsangan untuk terlibat dalam sah/tentang undang-undang atau penyerangan moral, kaleng [yang] secara berangsur-angsur dan imperceptibly menjadi merusak. Pertimbangkan suatu polisi muda [siapa] yang baru saja memulai bekerja area narkotika. tekun/tajam Untuk 'cocok', ia dengan bodoh menerima suatu (pelajaran) pelengkap 'hadiah' tentang uang dari suatu polisi senior tanpa pengetahuan apa itu untuk; ia telah melakukan suatu pelanggaran sah/tentang undang-undang [yang] kecil. Di kemudian pada suatu [pesta/pihak] mabuk [yang] ia dengan rasa malas setuju untuk merokok suatu obat yang di asap yang hubungkan dengan sebagian dari para rekan kerja baru nya (pelajaran) pelengkap lain pelanggaran sah/tentang undang-undang). Meski demikian kemudiannya ia diberitahukan [bahwa/yang] pembayaran adalah nya ' yang memotong' dari suatu obat/racun tak syah hadapi. Ini adalah dilaksanakan dalam konteks dirinya [yang] dengan antusias menyambut [ketika;seperti] ' salah satu dari [mereka/nya]', sekalipun hanya konsekwensi yang mengerikan ' rapping' pada [atas] pengikut seseorang polisi adalah juga dijelaskan. takut dan yang dikacaukan ia gagal untuk melaporkan pembayaran tak syah ini; sekarang ia telah melakukan suatu penyerangan serius. Polisi disepakati, dan disepakati suatu jahat dan menakut-nakuti lingkungan polisi. Ia adalah pada [atas] keserongan licin yang yang jadi pepatah.

A corruptor of other persons or institutional processes can in performing these corrupt actions also and simultaneously be producing corrupting effects on him or herself. That is, acts of corruption can have, and typically do have, a side effect in relation to the corruptor. They not only corrupt the person and/or institutional process that they are intended to corrupt; they also corrupt the corruptor, albeit usually unintentionally. Consider bribery in relation to a tendering process. The bribe corrupts the tendering process; and it will probably have a corrupting effect on the moral character of the bribe-taker. However, in addition, it might well have a corrupting effect on the moral character of the bribe-giver. Suatu koruptor dari yang lain para orang atau proses kelembagaan dapat di (dalam) melakukan/menyelenggarakan tindakan jahat ini juga dan secara serempak jadilah memproduksi merusak efek pada [atas] dia atau dirinya. Itu adalah, tindakan korupsi dapat mempunyai, dan secara khas lakukan mempunyai, suatu akibat sampingan dalam hubungan dengan koruptor [itu]. Mereka tidak hanya merusak orang [itu] dan/atau proses kelembagaan yang mereka dimaksudkan untuk merusak; mereka juga merusak koruptor [itu], sekalipun hanya pada umumnya tanpa disengaja. Pertimbangkan penyusunan dalam hubungan dengan suatu lembut proses. Uang suap merusak [itu] lembut proses; dan [itu] akan mungkin mempunyai suatu merusak efek pada [atas] karakter moral [itu] bribe-taker. Bagaimanapun, sebagai tambahan, itu bisa baik mempunyai suatu merusak efek pada [atas] karakter moral [itu] bribe-giver.

Here we need to distinguish between a corrupt action that has no effect on an institutional process or on another person, but which contributes to the corruption of the character of the would-be corruptor; and a non-corrupt action which is a mere expression of a corrupt moral character but which has no corrupting effect either on the agent or on anyone or anything else. In this connection consider two sorts of would-be bribe-givers whose bribes are rejected. Suppose that in both cases their action has no corrupting effect on an institutional process or other person. Now suppose that in the first case the bribe-giver's action of offering the bribe weakens his disposition not to offer bribes; so the offer has a corrupting effect on his character. However, suppose that in the case of the second bribe-giver, his failed attempt to bribe generates in him a feeling of shame and a disposition not to offer bribes. So his action has no corrupting effect, either

on himself or externally on an institutional process or other person. In both cases, the action is the expression of a partially corrupt moral character. However, in the first, but not the second case the bribe-giver's action is corrupt by virtue of having a corrupt effect on himself. Di sini kita harus membedakan antara suatu tindakan jahat yang tidak punya efek pada [atas] suatu proses kelembagaan atau pada [atas] orang lain, tetapi yang berperan untuk korupsi karakter calon koruptor; dan suatu tindakan tidak merusak [yang] yang mana [adalah] suatu semata-mata ungkapan suatu karakter moral jahat tetapi yang tidak punya merusak efek baik di agen atau pada [atas] seseorang atau yang lain-lain. Di (dalam) koneksi ini mempertimbangkan dua sort;jenis calon bribe-givers uang suap siapa ditolak. Umpamakan bahwa kedua-duanya kasus tindakan mereka tidak punya merusak efek pada [atas] suatu proses kelembagaan atau lain orang. Sekarang mengira bahwa kasus yang pertama tindakan bribe-giver's menawarkan uang suap tidak memperlemah disposisi nya untuk menawarkan uang suap; sehingga penawaran mempunyai suatu merusak efek pada [atas] karakter nya. Bagaimanapun, mengira bahwa di [dalam] kasus detik/second bribe-giver, usaha [yang] digagalkan nya untuk menyuap menghasilkan dia suatu [tidak/jangan] merasa malu dan suatu disposisi untuk menawarkan uang suap. Maka tindakan nya tidak punya merusak efek, baik di [sen]dirinya atau secara eksternal pada [atas] suatu proses kelembagaan atau lain orang. Di (dalam) kasus kedua-duanya, tindakan adalah ungkapan suatu secara parsial merusak karakter moral. Bagaimanapun, di (dalam) yang dulu, tetapi bukan kasus tindakan bribe-giver's yang kedua adalah merusak berdasarkan atas mempunyai;nikmati suatu jahat mempengaruhi pada [atas] [sen]dirinya.

I have argued that the corrupted are not necessarily morally responsible for being corrupted. I have also argued that typically corruptors are morally responsible for performing their corrupt actions. Accordingly, I have offered the hypothesis of an asymmetry between the corruptors and the corrupted. But what of those corruptors who are not morally responsible for their corrupt characters? Surely, at least in some cases, such people are not morally responsible for their corrupt actions, so strictly speaking — and contrary to our hypothesis — there is no asymmetry between the corrupted and the corruptors. This seems correct so far as it goes. However, some of those who are not morally responsible for having been corrupted are, nevertheless, morally responsible for not now trying to combat their corrupt characters. To that extent they might be held morally responsible for their corrupt actions, even if not for having been corrupted. Aku sudah berargumentasi bahwa yang dirusak tidaklah perlu [yang] bertanggung jawab untuk dirusak. Aku juga telah berargumentasi bahwa secara khas koruptor [yang] bertanggung jawab untuk melakukan/menyelenggarakan tindakan jahat mereka. [Yang] maka, aku sudah menawarkan hipotesis dari suatu asymmetry antar[a] koruptor dan yang dirusak. Hanyalah . apa [yang] koruptor itu [siapa] yang tidaklah [yang] bertanggung jawab untuk karakter jahat mereka? [Yang] sungguh pasti, sedikitnya dalam beberapa hal, . seperti (itu) orang-orang tidaklah [yang] bertanggung jawab untuk tindakan jahat mereka, maka pada hakekatnya- dan bertentangan dengan hipotesis [kita/kami]- tidak ada asymmetry antar[a] yang dirusak dan koruptor [itu]. Ini nampak benar sepanjang [itu] pergi. Bagaimanapun, sebagian dari mereka yang tidaklah [yang] bertanggung jawab untuk mempunyai;nikmati dirusak adalah, meskipun demikian, [yang] bertanggung jawab untuk tidak sekarang berusaha untuk menyerang karakter jahat mereka. Untuk luas itu [yang] mereka boleh jadi dipegang [yang] bertanggung jawab untuk tindakan jahat mereka, sekalipun bukan untuk mempunyai;nikmati dirusak.

Further, there is a difference between an action which corrupts and which is an expression of a corrupt character, and an action which has a corrupting effect but which is in no sense under the control of the person who performed it, e.g. they did not intend to perform it or their intention to perform it was caused by some agent external to themselves. For one thing, the former action, but not the latter action, is the action of a

corruptor (as we have defined corruptors). Moreover, even if a person has a corrupt character and can do little about this, it does not follow that they have no control over the actions which are an expression of that character. Consider an official who finds it very hard to refuse bribes but who, nevertheless, tries to avoid opportunities in which he will be offered bribes. The upshot of this is that the hypothesis of an asymmetry between all corruptors and the corrupted may not hold up in anything other than an attenuated form. There is an asymmetry between the corrupted and those corruptors who are morally responsible for their actions, viz. the former are not necessarily morally responsible for being corrupted. However, some of those corruptors who are not responsible for being corrupted might not be responsible for their corrupt actions either. Accordingly, the fourth hypothesis is incorrect. Lebih lanjut, ada suatu perbedaan antar[a] suatu yang tindakan merusak dan yang mana [adalah] suatu ungkapan suatu karakter jahat, dan suatu tindakan yang mempunyai suatu merusak efek tetapi yang mana [adalah] di (dalam) tidak (ada) [perasaan/pengertian] di bawah kendali orang [siapa] yang melakukan itu, e.g. mereka tidak berniat untuk melaksanakan ia/nya atau niat mereka untuk melaksanakan ia/nya adalah disebabkan oleh agen beberapa di luar diri mereka. Untuk satu hal, tindakan yang terdahulu, tetapi bukan tindakan yang belakangan, adalah tindakan suatu koruptor (ketika kita sudah menggambarkan koruptor). Lebih dari itu, sekalipun seseorang mempunyai suatu karakter jahat dan dapat melakukan [kecil/sedikit] sekitar ini, [itu] tidak mengikuti bahwa mereka tidak punya kendali (di) atas yang tindakan adalah suatu ungkapan (menyangkut) karakter itu. Pertimbangkan suatu pejabat [siapa] yang temukan ia/nya sangat susah untuk menolak uang suap tetapi [siapa] yang, meskipun demikian, mencoba untuk menghindari peluang di mana ia akan [jadi] ditawarkan uang suap. Kesudahan ini adalah [bahwa/yang] hipotesis dari suatu asymmetry antar[a] semua koruptor dan yang dirusak tidak [boleh/akan] menghambat apapun selain dari suatu format disusutkan. Ada suatu asymmetry antar[a] yang dirusak dan koruptor itu [siapa] yang [yang] bertanggung jawab untuk tindakan mereka, viz. yang terdahulu tidaklah perlu [yang] bertanggung jawab untuk dirusak. Bagaimanapun, sebagian dari koruptor itu [siapa] yang tidaklah [yang] bertanggung jawab untuk dirusak tidak sampai bertanggung jawab untuk tindakan jahat mereka juga. Maka, hipotesis yang keempat adalah salah.

Fifth Hypothesis: Institutional Corruption involves *Institutional Actors* who Corrupt or are Corrupted.

The fifth and final hypothesis to be discussed concerns non-institutional agents who culpably perform acts that undermine legitimate institutional processes or purposes. As concluded above, corruption, even if it involves the abuse of public office, is not necessarily pursued for private gain. Dennis Thompson also makes this point in relation to political corruption (1995: 29). However, Thompson also holds that political corruption, at least, necessarily involves abuse of public office. We have canvassed arguments that contra this view acts of corruption, including acts of political corruption, might be actions performed by persons who do not hold public office. However, we now need to invoke a distinction between persons who hold a public office and persons who have an institutional role. Citizens are not necessarily holders of public offices, but they do have an institutional role qua citizens, e.g., as voters. Hipotesis akhir dan yang ke lima untuk dibahas perhatian agen tidak kelembagaan [siapa] yang culpably melaksanakan tindakan yang mengikis proses kelembagaan sah atau tujuan. [Seperti/Ketika] disimpulkan di atas, korupsi, sekalipun [itu] melibatkan penyalahgunaan [dari;ttg] kantor publik, tidaklah perlu dikejar untuk keuntungan pribadi. Dennis Thompson juga membuat ini menunjuk dalam hubungan dengan korupsi politis (1995: 29). Bagaimanapun, Thompson juga [memegang/menjaga] korupsi politis itu, sedikitnya, perlu melibatkan penyalahgunaan [dari;ttg] kantor publik. Kita sudah mengumpulkan argumentasi yang kontra tindakan pandangan korupsi ini, mencakup tindakan

[dari;ttg] korupsi politis, boleh jadi tindakan melakukan oleh para orang [siapa] yang tidak [memegang/menjaga] kantor publik. Bagaimanapun, kita sekarang harus memohon suatu perbedaan antar[a] para orang [siapa] yang [memegang/menjaga] suatu kantor publik dan para orang [siapa] yang mempunyai suatu peran kelembagaan. Warganegara tidaklah perlu pemilik [dari;ttg] kantor publik, tetapi mereka lakukan mempunyai suatu peran kelembagaan sebagai warganegara, e.g., [sebagai/ketika/sebab] pemberi suara.

Consider the case of a citizen and voter who holds no public office but who, nevertheless, breaks into his local electoral office and falsifies the electoral role in order to assist his favored candidate to get elected. This is an act of corruption; specifically, it is corruption of the electoral process. However, it involves no public office holder, either as corruptor or as corrupted. By contrast, consider a fundamentalist Muslim from Saudi Arabia who is opposed to democracy and who breaks into an electoral office in an impoverished African state and falsifies the electoral roll in order to facilitate the election of an extremist right wing candidate who is likely, if elected, to polarise the already deeply divided community and thereby undermine the fledgling democracy. Let us further assume that the fundamentalist does so without the knowledge of the candidate, or indeed of anyone else. We are disinclined to view this as a case of corruption for two reasons: Firstly, the offender is not an occupant of a relevant institutional role; he is not a citizen or even a resident of the state in question. Secondly, while the offender undermined a legitimate institutional process, viz. the electoral process, he did not corrupt or undermine the character of the occupant of an institutional role.

Pertimbangkan kasus suatu warganegara dan pemberi suara [siapa] yang tidak [memegang/menjaga] apapun kantor publik tetapi [siapa] yang, meskipun demikian, menerobos kantor [yang] elektoral lokal nya dan memalsukan peran yang elektoral dalam rangka membantu calon [yang] dikasihi nya untuk mendapat/kan dipilih. Ini adalah suatu tindakan korupsi; [yang] secara rinci, [itu] adalah korupsi proses yang elektoral [itu]. Bagaimanapun, [itu] tidak melibatkan apapun pemilik kantor publik, baik sebagai koruptor atau sebagai dirusak. Sebagai pembanding, mempertimbangkan suatu fundamentalist Orang Islam dari Saudi Arabia [siapa] yang dipertentangkan dengan demokrasi [yang] dan siapa yang menerobos suatu kantor elektoral di (dalam) suatu Dari Afrika dilemahkan menyatakan dan memalsukan gulungan yang elektoral dalam rangka memudahkan pemilihan dari suatu calon fraksi kanan ekstrimis [siapa] yang mungkin, jika dipilih, ke polarise telah sangat membagi masyarakat dan dengan demikian mengikis demokrasi calon [itu]. Mari kita lebih lanjut berasumsi bahwa lebih lanjut berasumsi bahwa fundamentalist mengerjakan maka tanpa sepengetahuan calon, atau tentu saja seseorang selain itu. Kita adalah disinclined untuk memandang kasus korupsi sebagai ini untuk dua pertimbangan: [Yang] pertama-tama, pelanggar bukanlah suatu penghuni suatu relevan peran kelembagaan; ia bukanlah suatu warganegara atau bahkan suatu penduduk status yang dimasalahkan. Yang kedua, [selagi/sedang] pelanggar menggansir suatu proses kelembagaan sah, viz. proses yang elektoral, ia tidak merusak atau mengikis karakter penghuni dari suatu peran kelembagaan.

Accordingly, we can conclude that acts of institutional corruption necessarily involve a corruptor who performs the corrupt action qua occupant of an institutional role and/or someone who is corrupted qua occupant of an institutional role. This enables us to distinguish not only acts of corruption from acts of corrosion, but also from moral offences that undermine institutional processes and purposes but are, nevertheless, not acts of corruption. The latter are not acts of corruption because no person in their capacity as institutional role occupant either performs an act of corruption or suffers a diminution in their character. There are many legal and moral offences in this latter category. Consider individuals not employed by, or otherwise institutionally connected

to, a large corporation who steal from or defraud the corporation. These offences may undermine the institutional processes and purposes of the corporation, but given the non-involvement of any officer, manager or employee of the corporation, these acts are not acts of corruption. Maka, kita dapat menyimpulkan yang berlaku korupsi kelembagaan [yang] perlu melibatkan suatu koruptor [siapa] yang melaksanakan tindakan jahat [itu] sebagai penghuni dari suatu seseorang dan/atau peran kelembagaan [siapa] yang dirusak sebagai penghuni dari suatu kelembagaan role. This memungkinkan [kita/kami] untuk mencari tidak hanya tindakan korupsi dari tindakan karatan, tetapi juga dari penyerangan moral yang mengikis proses kelembagaan dan tujuan tetapi adalah, meskipun demikian, tidak tindakan korupsi. Yang belakangan tidaklah tindakan korupsi sebab tidak (ada) orang di (dalam) kapasitas mereka [sebagai/ketika] penghuni peran kelembagaan baik melaksanakan suatu tindakan korupsi maupun menderita suatu pengurangan di (dalam) karakter mereka. Ada banyak sah/tentang undang-undang dan penyerangan moral di (dalam) kategori belakangan ini. [Tidak/Jangan] mempertimbangkan individu yang dipekerjakan oleh, atau jika tidak secara institusional menghubungkan untuk, suatu korporasi besar [siapa] yang mencuri dari atau menipu korporasi [itu]. Penyerangan ini boleh mengikis proses yang kelembagaan dan tujuan korporasi, tetapi memberi yang tidak keterlibatan tentang segala petugas, manajer atau karyawan korporasi, tindakan ini tidaklah tindakan korupsi.

2.2 Summary of the Concept of Institutional Corruption

In light of the discussion of the five hypotheses concerning the concept of institutional corruption, the following summary definitional account of institutional corruption is available: Untuk memecahkan diskusi yang lima hipotesis mengenai konsep [dari;ttg] korupsi kelembagaan, rekening/tg-jawab bagan ringkasan yang berikut [dari;ttg] korupsi kelembagaan ada tersedia:

An act x performed by an agent A is an act of institutional corruption if and only if: Suatu tindakan x yang dilakukan oleh suatu agen [Adalah] suatu adalah suatu tindakan [dari;ttg] korupsi kelembagaan jika dan hanya jika:

1. x has an effect, E_I , of undermining, or contributing to the undermining of, some institutional process and/or purpose of some institution, I , and/or an effect, E_C , of contributing to the despoiling of the moral character of some role occupant of I , agent B , qua role occupant of I ;
2. At least one of (a) or (b) is true:
 - a. A is a role occupant of I , and in performing x , A intended or foresaw E_I and/or E_C , or A should have foreseen E_I and/or E_C ;
 - b. There is a role occupant of I , agent B , and B could have avoided E_C , if B had chosen to do so.^[19]

1. x mempunyai suatu efek, E_1 , tentang menggangsir, atau mendukung penggangsiran, beberapa proses kelembagaan dan/atau tujuan beberapa institusi, I , dan/atau suatu efek, E_c , tentang mendukung rampasan karakter moral beberapa penghuni peran aku, agen B , sebagai penghuni peran aku;

2. Sedikitnya salah satu dari (a) atau (b) benar:

- a. Suatu adalah suatu penghuni peran aku, dan di (dalam) melakukan/menyelenggarakan x , Suatu diharapkan atau meramalkan E_1 Dan/Atau E_c , atau Suatu [perlu] sudah meramalkan E_1 Dan/Atau E_c ;

b. Ada suatu penghuni peran aku, agen B, dan B bisa sudah menghindarkan Ec, jika B telah di/terpilih untuk lakukan so.[19]

Note that (2)(a) tells us that A is a corruptor and is, therefore, either (straightforwardly) morally responsible for the corrupt action, or A is not morally responsible for A's corrupt character and the corrupt action is an expression of A's corrupt character. According to the above account, an act of institutional corruption brings about, or contributes to bringing about, a corrupt condition of some institution. But this condition of corruption exists only relative to an uncorrupted condition, which is the condition of being a morally legitimate institution or sub-element thereof. Aside from specific institutional processes and purposes, such sub-elements also include institutional roles and the morally worthy character traits that are associated with the proper acting out of these institutional roles. Catatan bahwa (2)(a) menunjukkan bahwa Suatu adalah suatu koruptor dan adalah, oleh karena itu, juga (secara langsung) [yang] bertanggung jawab untuk tindakan jahat, atau Suatu tidaklah [yang] bertanggung jawab untuk Suatu karakter jahat dan tindakan jahat adalah suatu ungkapan Suatu karakter jahat. Nurut [itu] di atas rekening/tg-jawab, suatu tindakan [dari;ttg] korupsi kelembagaan menyempurnakan, atau berperan untuk menyempurnakan, suatu kondisi jahat beberapa institusi. Hanyalah kondisi ini korupsi ada hanya sehubungan dengan suatu kondisi tidak dirusak, yang mana [adalah] kondisi menjadi institusi [yang] sah atau sub-element daripadanya. Terkecuali proses kelembagaan spesifik dan bermaksud, . seperti (itu) sub-elements juga meliputi peran kelembagaan dan ciri karakter yang secara moral pantas yang dihubungkan dengan yang sesuai memerankan peran [yang] kelembagaan ini

Consider the uncorrupted judicial process. It consists of the presentation of objective evidence that has been gathered lawfully, of testimony in court being presented truthfully, of the rights of the accused being respected, and so on. This otherwise morally legitimate judicial process may be corrupted, if one or more of its constitutive actions are not performed in accordance with the process as it ought to be. Thus to present fabricated evidence, to lie under oath, and so on, are all corrupt actions. In relation to moral character, consider an honest accountant who begins to 'doctor the books' under the twin pressures of a corrupt senior management and a desire to maintain a lifestyle that is only possible if he is funded by the very high salary he receives for doctoring the books. By engaging in such a practice he risks the erosion of his moral character; he is undermining his disposition to act honestly. Pertimbangkan proses hal tentang pengadilan yang tidak dirusak. [Itu] terdiri dari presentasi bukti sasaran yang telah dikumpulkan dengan sah, tentang kesaksian di (dalam) [pengadilan/lingkungan] diperkenalkan yang sesungguhnya, tentang [hak/ kebenaran] terdakwa terhormat, dan seterusnya. Ini jika tidak proses hal tentang pengadilan secara moral sah mungkin (adalah) dirusak, jika satu atau lebih nya menurut konstitusi tindakan tidaklah dilakukan seturut proses [sebagai/ketika] [itu] hendaknya. [Dengan] begitu untuk menyajikan bukti dibuat, untuk [berada/dusta] di bawah sumpah, dan seterusnya, adalah semua tindakan jahat. Dalam hubungan dengan karakter moral, mempertimbangkan seorang akuntan jujur [siapa] yang mulai untuk 'mengobati buku [itu]' di bawah tekanan yang kembar suatu jahat manajemen senior dan suatu keinginan untuk memelihara suatu lifestyle yang hanya mungkin jika ia dibiayai oleh gaji yang sangat tinggi [yang] ia menerima untuk mengobati buku [itu]. Dengan melibatkan dalam . yang sedemikian suatu praktek [yang] ia mengambil resiko erosi [dari;ttg] karakter moral nya; ia sedang menggangsi disposisi nya untuk bertindak terus terang

On this view, the corrupt condition of the institution exists only relative to some moral standards, which are definitional of the uncorrupted condition of that institution,

including the moral characters of the persons in institutional roles. The moral standards in question might be minimum moral standards, or they might be moral ideals. Corruption in relation to a tendering process is a matter of a failure in relation to minimum moral standards enshrined in laws or regulations. On the other hand, gradual loss of innocence might be regarded as a process of corruption in relation to an ideal moral state. If the process of corruption proceeds far enough then we no longer have a corrupt official or corruption of an institutional process or institution; we cease to have a person who can properly be described as, say, a judge, or a process that can properly be described as, say, a judicial process — as opposed to proceedings in a kangaroo court. Like a coin that has been bent and defaced beyond recognition, it is no longer a coin; rather it is a piece of scrap metal that can no longer be exchanged for goods. Pada [atas] ini memandang, kondisi jahat institusi ada hanya sehubungan dengan standard moral beberapa, yang adalah bagan kondisi yang tidak dirusak (menyangkut) institusi itu, mencakup karakter moral [itu] para orang di (dalam) peran kelembagaan. Moral yang baku yang dimasalahkan boleh jadi standard moral minimum, atau mereka boleh jadi moral ideal. Korupsi dalam hubungan dengan suatu proses penawaran adalah sesuatu yang suatu kegagalan dalam hubungan dengan standard moral minimum mengabadikan karena perkawinan atau peraturan. Pada sisi lain, hilangnya berangsur-angsur [kepolosan/ yg tidak bersalah] boleh jadi dihormati sebagai proses korupsi dalam hubungan dengan suatu moral ideal state. If proses korupsi berproses cukup jauh kemudian kita tidak lagi mempunyai suatu pejabat jahat atau korupsi dari suatu institusi atau proses kelembagaan; kita berhenti untuk mempunyai seseorang [siapa] yang dapat dengan baik diuraikan [ketika; seperti], kata[kan, suatu [hakim/wasit], atau suatu proses yang dapat dengan baik diuraikan [ketika; seperti], kata[kan, suatu proses hal tentang pengadilan- sebagai lawan cara bekerja di (dalam) suatu kanguru meramahi. Seperti suatu koin yang telah dibengkokkan dan dinodai di luar pengenalan, [itu] adalah tidak lagi suatu koin; melainkan [ini] merupakan suatu potongan sisa yang metal yang tidak bisa lagi ditukar untuk baiknya.

The corruption of an institution does not assume that the institution in fact existed at some past time in a pristine or uncorrupted condition. Rather an action, or set of actions, is corruptive of an institution in so far as the action, or actions, have a negative moral effect on the institution. This notion of a negative moral effect is determined by recourse to the moral standards constitutive of the processes, roles and purposes of the institution as that institution morally ought to be in the socio-historical context in question. Consider a police officer who fabricates evidence, but who is a member of a police service whose members have always fabricated evidence. It remains true that the officer is performing a corrupt action. His action is corrupt by virtue of the negative moral effect it has on the institutional process of evidence gathering and evidence presentation. To be sure in general in this institution this process is not what it ought to be, given the corrupt actions of the other police in that particular police force. But the point is his action contributes to the further undermining of the institutional process; it has a negative moral effect as judged by the yardstick of what that process ought to be in that institution at that time. Korupsi dari suatu institusi tidak berasumsi bahwa institusi [itu] sesungguhnya hidup pada waktu yang lalu/lampau beberapa di (dalam) suatu kondisi tidak dirusak atau murni. Melainkan suatu tindakan, atau satuan tindakan, adalah cara korupsi dari suatu institusi sepanjang tindakan, atau tindakan, mempunyai suatu moral hal negatif mempengaruhi pada [atas] institusi [itu]. Dugaan ini suatu efek moral hal negatif ditentukan oleh kesulitan kepada standard moral menurut konstitusi proses, peran dan tujuan institusi [sebagai/ketika] institusi itu [yang] secara moral hendaknya dalam kaitan dengan socio-historical yang dimasalahkan. Pertimbangkan suatu polisi [siapa] yang memalsukan membangun bukti, tetapi [siapa] yang adalah suatu anggota seorang polisi melayani yang anggotanya sudah selalu membuat bukti.

[Itu] tinggal benar [bahwa/yang] petugas sedang melakukan/menyelenggarakan suatu tindakan jahat. Tindakan nya adalah merusak berdasarkan atas moral yang negatif mempengaruhi ia/nya berakibat pada proses bukti yang kelembagaan [yang] mengumpulkan dan presentasi bukti. Untuk memastikan di dalam institusi ini proses ini umum bukanlah apa [yang] [itu] hendaknya, diberi tindakan jahat [itu] polisi lain di (dalam) yang kepolisian tertentu. Tetapi titik adalah tindakan nya berperan untuk [itu] penggangsiran proses kelembagaan lebih lanjut ; [itu] mempunyai suatu moral hal negatif mempengaruhi [ketika;seperti] dihakimi oleh ukuran dari apa [yang] proses itu hendaknya jadinya di (dalam) yang institusi pada waktu itu.

In relation to institutions, and institutional processes, roles and purposes, I have insisted that if they are to have the potential to be corrupted then they must be morally legitimate, and not merely legitimate in some weaker sense, e.g. lawful. Perhaps there are non-moral senses of the term "corruption". For example, it is sometimes said that some term in use in a linguistic community is a corrupted form of a given word, or that some modern art is a corruption of traditional aesthetic forms. However, the central meaning of the term "corruption" carries strong moral connotations; to describe someone as a corrupt person, or an action as corrupt, is to ascribe a moral deficiency and to express moral disapproval. Accordingly, if an institutional process is to be corrupted it must suffer some form of moral diminution, and therefore in its uncorrupted state it must be at least morally legitimate. So although marriage across the colour bar was unlawful in apartheid South Africa, a priest, Priest A, who married a black man and a white woman was not engaged in an act of corruption. Dalam hubungan dengan institusi, dan proses kelembagaan, peran dan tujuan, aku sudah meminta dengan tegas bahwa jika mereka adalah untuk mempunyai yang potensial untuk dirusak kemudian mereka harus secara moral sah, dan tidak melulu sah dalam beberapa [perasaan/pengertian] lebih lemah, e.g. sah menurut hukum. Barangkali ada pikiran sehat [yang] tidak moral istilah " korupsi". Sebagai contoh, [itu] kadang-kadang dikatakan bahwa beberapa istilah menggunakan [adalah] suatu masyarakat ilmu bahasa adalah suatu dirusak format [dari;ttg] kata[an] ditentukan, atau bahwa beberapa seni modern adalah suatu korupsi [dari;ttg] format aesthetic tradisional. Bagaimanapun, maksud/arti yang pusat istilah " korupsi" membawa arti tambahan moral kuat; untuk menguraikan seseorang sebagai orang jahat, atau suatu tindakan [sebagai/ketika] jahat, adalah untuk menganggap berasal dari suatu kekurangan moral dan untuk menyatakan penolakan moral. [Yang] maka, jika suatu proses kelembagaan (diharapkan) untuk dirusak ia/nya harus menderita format beberapa pengurangan moral, dan oleh karena itu dalam status tidak dirusak nya [itu] harus sedikitnya secara moral sah. Maka walaupun perkawinan ke seberang pembedaan suku bunga adalah Afrika Selatan pembedaan ras tak syah, seorang imam, Imam A, [siapa] yang menikah suatu orang [laki-laki] hitam dan seorang perempuan putih tidaklah disibukkan dengan suatu tindakan korupsi.

On the other hand, if another priest, Priest B, married a man and a woman, knowing the man to be already married, the priest may well be engaged in an act of corruption. Why was Priest B's act corrupt? Because it served to undermine a lawful, and morally legitimate, institutional process, viz. marriage between two consenting adults who are not already married. But Priest A's act was not corrupt. Why? Because a legally required, but morally unacceptable, institutional procedure — refusing to marry two consenting adults because they are from different race groups — cannot be corrupted. It cannot be corrupted because it was not morally legitimate to start with. Indeed, the legal prohibition on marriage across the colour bar is in itself a corruption of the institution of marriage. So Priest A's act of marrying the black man and the white woman was not corrupt.^[20] Pada sisi lain, jika imam lain, Imam B, menikah seorang laki-laki dan seorang perempuan, mengetahui orang [laki-laki] [itu] untuk telah dinikahi, imam boleh sungguh

disibukkan dengan suatu tindakan korupsi. Mengapa adalah Imam Tindakan b merusak? Sebab [itu] melayani untuk mengikis suatu sah menurut hukum, dan proses kelembagaan secara moral sah, viz. perkawinan antar[a] dua menyetujui orang dewasa [siapa] yang tidaklah telah dinikahi. Tetapi Imam Suatu tindakan tidaklah merusak. Mengapa? Sebab suatu [yang] diperlukan, tetapi prosedur kelembagaan secara moral tak dapat diterima- menolak untuk menikah dua menyetujui orang dewasa sebab mereka adalah dari kelompok [ras/lomba] berbeda- tidak bisa dirusak. [Itu] tidak bisa dirusak sebab [itu] tidaklah secara moral sah untuk mulai dengan. Tentu saja, larangan yang sah/tentang undang-undang pada [atas] perkawinan ke seberang perbedaan suku bunga dengan sendirinya suatu korupsi institusi perkawinan. Maka Imam Suatu tindakan menikah orang [laki-laki] yang hitam dan perempuan yang putih bukanlah corrupt.[20]

A further point arising from this example pertains to the possibility of one institution (the apartheid South African government) corrupting another institution (the church in apartheid South Africa). Other things being equal, in so far as the priests (and other relevant institutional actors) in the church acted as Priest A did, i.e., resisted the apartheid laws, the church as an institution would not have been corrupted. Moreover, the apartheid government's undermining of the institutional processes of the church did not in itself constitute corruption, since the government and its leaders are not per se — at least in a secular state — role occupants of the institution of the church. What of those priests who complied with the apartheid laws and did not marry mixed race couples? Here we need to distinguish mere compliance with the apartheid laws from embracing the laws. A priest might have complied with the apartheid law, but done so only because no mixed race couple ever approached him to marry them. Presumably, such a priest was neither a corruptor nor a person corrupted. What of a priest who actively supported the apartheid law by condemning such mixed-race marriages as not legitimate in the eyes of God, denouncing the priests who performed them, and so forth? Presumably, this priest has been corrupted and — in so far as he is successful in his endeavours — he is a corruptor of the institution of marriage. Suatu titik lebih lanjut timbul dari contoh ini menyinggung kepada kemungkinan satu institusi (Pemerintah Dari Afrika Selatan perbedaan ras) merusak institusi lain (gereja di (dalam) Afrika Selatan perbedaan ras). Lain berbagai hal tetap sama, sepanjang para imam (dan lain relevan para aktor kelembagaan) di (dalam) gereja bertindak sebagai Imam [Adalah] suatu lakukan, yaitu., yang ditentang hukum perbedaan ras, gereja sebagai suatu institusi tidak akan jadi dirusak. Lebih dari itu, perbedaan ras penggangsaan pemerintah proses yang kelembagaan gereja tidak dengan sendirinya [mendasari/membuat] korupsi, [karena;sejak] pemerintah dan para pemimpin nya tidaklah yang didalam (dirinya)- sedikitnya di (dalam) suatu secular status- penghuni peran institusi gereja [itu]. Bagaimana tentang para imam itu [siapa] yang mentaati hukum perbedaan ras [itu] dan tidak menikah kopel [ras/lomba] dicampur? Di sini kita harus mencari semata-mata pemenuhan dengan hukum perbedaan ras dari memeluk hukum [itu]. Seorang imam mungkin telah mentaati hukum perbedaan ras [itu], tetapi juga hanya sebab tidak (ada) [ras/lomba] dicampur memasangkan pernah mendekati dia untuk menikah [mereka/nya]. Kiranya, imam seperti itu bukan suatu koruptor maupun seseorang merusak. Bagaimana tentang seorang imam [siapa] yang dengan aktif mendukung hukum perbedaan ras [itu] dengan [tidak/jangan] hukuman seperti mixed-race perkawinan dalam pandangan sah Tuhan, mengumumkan para imam [itu] [siapa] yang melakukan [mereka/nya], dan sebagainya? Kiranya, imam ini telah dirusak dan- sepanjang ia adalah sukses usaha nya- ia adalah suatu koruptor institusi perkawinan.

There are two residual points to be made in conclusion.

Firstly, the despoiling of the moral character of a role occupant, or the undermining of institutional processes and purposes, would typically require a pattern of actions — and

not merely a single one-off action. So a single free hamburger provided to a police officer on one occasion usually does not corrupt, and is not therefore an act of corruption. Nevertheless, a series of such gifts to a number of police officers might corrupt. They might corrupt, for example, if the hamburger joint in question ended up with (in effect) exclusive, round the clock police protection, and if the owner intended that this be the case.^[21] Ada dua poin-poin bersifat sisa kesimpulannya.

Pertama-Tama, rampasan karakter moral suatu penghuni peran, atau penggangsiran [dari;ttg] tujuan dan proses kelembagaan, akan secara khas memerlukan suatu pola teladan tindakan- dan tidak one-off tindakan melulu tunggal. Hamburger cuma-cuma sangat tunggal yang disajikan ke suatu polisi pada [atas] satu kesempatan [yang] pada umumnya tidak merusak, dan tidaklah oleh karena itu suatu tindakan korupsi. Meskipun demikian, satu rangkaian . seperti (itu) hadiah [bagi/kepada] sejumlah polisi mungkin merusak. Mereka mungkin merusak, sebagai contoh, jika hamburger yang hubungkan yang dimasalahkan berakhir dengan (pada hakekatnya) eksklusif, siang malam menjaga ketertiban perlindungan, dan jika pemilik mengharapkan bahwa ini jadilah case.[21]

Note here the pivotal role of habits. We have just seen that the corruption of persons and institutions typically requires a pattern of corrupt actions. More specifically, corrupt actions are typically habitual. Yet, as noted by Aristotle, one's habits are in large part constitutive of one's moral character; habits make the man (and the woman). The coward is someone who habitually takes flight in the face of danger; by contrast, the courageous person has a habit of standing his or her ground. Accordingly, morally bad habits — including corrupt actions — are extremely corrosive of moral character, and therefore of institutional roles and ultimately institutions. Catatan Di sini peran kebiasaan yang sangat penting. Kita baru saja melihat [bahwa/yang] korupsi para orang dan institusi [yang] secara khas memerlukan suatu pola teladan tindakan jahat. Lebih secara rinci, merusak tindakan secara khas kebiasaan. Masih, seperti dicatat oleh Aristotle, kebiasaan seseorang adalah di (dalam) [part;bagian] besar menurut konstitusi karakter moral seseorang; kebiasaan membuat orang [laki-laki] [itu] (dan perempuan). Yang penakut adalah seseorang [siapa] yang terbiasa melarikan diri di wajah bahaya; sebagai pembanding, orang yang berani mempunyai suatu kebiasaan berdiri [tanah/landasan] nya. [Yang] maka, kebiasaan secara moral tidak baik- mencakup tindakan jahat-untuk [yang] bersifat menghancurkan karakter moral, dan oleh karena itu peran kelembagaan dan akhirnya institusi.

However, there are some cases in which a single, one-off action would be sufficient to corrupt an instance of an institutional process. Consider a specific tender. Suppose that one bribe is offered and accepted, and the tendering process is thereby undermined. Suppose that this is the first and only time that the person offering the bribe and the person receiving the bribe are involved in bribery. Is this one-off bribe an instance of corruption? Surely it is, since it corrupted that particular instance of a tendering process. The second residual point is that among instances of corruption there are ones in which corruptors are culpably negligent; they do, or allow to be done, what they reasonably ought to have known should not be done, or should not have been allowed to be done. For example, a safety inspector within an industrial plant who is negligent with respect to his duty to ensure that safety protocols are being complied with, might be guilty of corruption by virtue of contributing to the undermining of those safety protocols.^[22] Bagaimanapun, ada beberapa kasus di mana tunggal, one-off tindakan akan bersifat cukup untuk merusak suatu kejadian dari suatu proses kelembagaan. Pertimbangkan suatu penawaran spesifik. Ira bahwa satu uang suap ditawarkan dan diterima, dan proses

penawaran dengan demikian digangsir. Ira bahwa ini adalah yang pertama dan hanya waktu [bahwa/yang] orang yang menawarkan uang suap [itu] dan orang yang menerima uang suap [itu] dilibatkan penyuaipan. Apakah one-off ini menyuaip suatu kejadian korupsi? [Yang] sungguh pasti [itu] adalah, [karena;sejak] [itu] merusak kejadian [yang] tertentu itu suatu lembut process. The yang kedua titik bersifat sisa adalah bahwa antar kejadian korupsi ada orang-orang di mana koruptor culpably lalai; mereka lakukan, atau mengijinkan untuk yang dilaksanakan, apa [yang] mereka layak hendaknya sudah mengenal harus tidak yang dilaksanakan, atau mestinya tidak telah diijinkan untuk yang dilaksanakan. Sebagai contoh, suatu inspektur keselamatan di dalam suatu [pabrik/tumbuhan] industri [siapa] yang adalah lalai berkenaan dengan tugas nya untuk memastikan bahwa protokol keselamatan mentaati, boleh jadi bersalah atas korupsi berdasarkan atas mendukung penggangsiran keselamatan protocols.[22 itu semua]

There are complexities in relation to corruption involving culpable negligence that are not necessarily to be found in other forms of corruption. Consider a company official who has a habit of allowing industrial waste products to be discharged into a river because this is the cheapest way to get rid of the unwanted products. But now assume that the official does so prior to the availability of any relevant scientific knowledge concerning the pollution which results from such discharges, and prior to the existence of any institutional arrangement for monitoring and controlling pollution. It seems that the official is not necessarily acting in a corrupt manner. However, the same action might well be a case of corporate corruption in a contemporary setting in which this sort of pollution is well and widely understood, and anti-pollution arrangements are known to be in place in many organisations. While those who actively corrupt institutional processes, roles, and purposes are not necessarily themselves the occupants of institutional roles, those who are culpably negligent tend to be the occupants of institutional roles who have failed to discharge their institutional obligations. Ada kompleksitas dalam hubungan dengan korupsi yang menyertakan kealpaan salah yang tidaklah perlu untuk ditemukan dalam bentuk lain korupsi. Pertimbangkan suatu pejabat [perusahaan/ rombongan] [siapa] yang mempunyai suatu kebiasaan membiarkan sisa buangan industri untuk dipecat ke dalam suatu sungai sebab ini adalah cara termurah untuk mendapat/kan luput daripada produk yang tak dikehendaki [itu]. Tetapi sekarang berasumsi bahwa pejabat [itu] mengerjakan sangat sebelum ketersediaan tentang segala relevan pengetahuan ilmiah mengenai yang polusi diakibatkan oleh . seperti (itu) pemecatan, dan sebelum keberadaan tentang segala pengaturan kelembagaan untuk monitoring dan mengendalikan polusi. Tampaknya pejabat tidaklah perlu bertindak sebagai suatu cara jahat. Bagaimanapun, tindakan yang sama mungkin baik jadilah suatu kasus korupsi [perseroan/perusahaan] di (dalam) suatu pengaturan jaman ini di mana polusi semacam ini sungguh [baik] dan secara luas memahami, dan anti-pollution pengaturan dikenal sebagai pada tempatnya di (dalam) organisasi banyak orang. [Selagi/Sedang] mereka yang dengan aktif merusak proses kelembagaan, peran, dan tujuan tidaklah perlu diri mereka penghuni [dari;ttg] peran kelembagaan, mereka yang culpably lalai [tujuan/ cenderung] kepada penghuni [dari;ttg] peran kelembagaan [siapa] yang sudah gagal;kan untuk membebaskan/memecat kewajiban kelembagaan mereka.

3. Noble Cause Corruption: A Non-standard Case

As we saw earlier, in the paradigm cases corrupt actions are a species of morally wrong, habitual, actions. What of the motive for corrupt actions? We saw above that there are

many motives for corrupt actions, including desires for wealth, status, and power. However, there is apparently at least one motive that we might think ought not to be associated with corruption, namely, acting for the sake of good. Here we need to be careful. For sometimes actions that are done for the sake of good are, nevertheless, morally wrong actions. Indeed, some actions that are done out of a desire to achieve good are corrupt actions, namely, acts of so-called noble cause corruption. Ketika kita lihat lebih awal, tindakan jahat kasus paradigma adalah suatu jenis [dari;ttg] salah, kebiasaan, tindakan. Bagaimana tentang alasan untuk tindakan jahat? Kita lihat di atas yang ada banyak alasan untuk tindakan jahat, mencakup keinginan untuk kekayaan, status, dan [kuasa/ tenaga]. Bagaimanapun, ada kelihatannya sedikitnya satu alasan yang kita mungkin berpikir sebaiknya untuk menjadi tidak dihubungkan dengan korupsi, [yang] yakni, bertindak atas nama sake;tujuan [dari;ttg] baik. Di sini kita perlu untuk saksama. Karena kadang-kadang tindakan yang dilaksanakan demi baik adalah, meskipun demikian, secara moral tindakan salah. Tentu saja, beberapa tindakan yang memberesi suatu keinginan untuk mencapai baik adalah tindakan jahat, [yang] yakni, tindakan yang disebut korupsi penyebab mulia.

This is not the place to provide a detailed treatment of the phenomenon of noble cause corruption.^[23] Rather let us simply note that even in cases of noble cause corruption — contra what the person who performs the action thinks — the ‘corrupt’ action morally ought not to be performed; or at least paradigmatically the ‘corrupt’ action morally ought not to be performed. Accordingly, the person who performs it is either deceiving him or herself, or is simply mistaken when they judge that the action morally ought to be performed. So their motive, i.e., to act for the sake of what is right, has a moral deficiency. They are only acting for the sake of what they believe is morally right, but in fact it is not morally right; their belief is a false belief. So we can conclude that corrupt actions are, at least in the paradigm case, habitual actions that are morally wrong, and therefore not motivated by the true belief that they are morally right. Ini adalah bukan tempat untuk menyediakan suatu perawatan [yang] terperinci peristiwa [dari;ttg] penyebab mulia corruption.[23] Melainkan mari kita hanya catat bahwa bahkan jika korupsi penyebab mulia-kontra apa yang orang [siapa] yang melaksanakan tindakan [itu] berpikir- 'jahat' tindakan [yang] secara moral sebaiknya untuk menjadi tidak dilakukan; atau sedikitnya paradigmatically 'jahat' tindakan [yang] secara moral sebaiknya untuk menjadi tidak dilakukan. Maka, orang [siapa] yang melaksanakan ia/nya adalah yang manapun menipu dia atau dirinya, atau hanya salah mengira ketika mereka [menilai/menghakimi] [bahwa/yang] tindakan [yang] secara moral hendaknya dilakukan. Maka alasan mereka, yaitu., untuk bertindak atas nama sake;tujuan dari apa [yang] adalah benar, mempunyai suatu kekurangan moral. Mereka hanya bertindak atas nama sake;tujuan dari apa [yang] mereka percaya [hak/ kebenaran] secara moral, tetapi sesungguhnya [itu] tidaklah [hak/ kebenaran] secara moral; kepercayaan mereka adalah suatu kepercayaan sumbang/palsu. Maka kita dapat menyimpulkan tindakan jahat itu adalah, sedikitnya di (dalam) kasus paradigma, tindakan kebiasaan yang secara moral salah, dan oleh karena itu tidak yang termotivasi oleh kepercayaan benar yang mereka [hak/ kebenaran] secara moral.

Here there are more complex excuses and justifications available for what might first appear to be an act of noble cause corruption. Perhaps a police officer did not know that some form of evidence was not admissible. The police officer's false belief that an action is right (putting forward the evidence in a court of law) was rationally dependent on some false non-moral belief (that the evidence was admissible); and the police officer came to hold that non-moral belief as a result of a rational process (he was informed, or at least misinformed, that the evidence was admissible by a senior officer). This would incline us to say that the putative act of noble cause corruption was not really an act of

corruption — although it might serve to undermine a morally legitimate institutional process - and therefore not an act of noble cause corruption. This intuition is consistent with our account of corruption. The police officer in question did perform an action that undermined a legitimate criminal justice process. However, his action was not corrupt because he is not a corruptor. He did not intend to undermine the process, he did not foresee that the process would be undermined, and he could not reasonably have been expected to foresee that it would be undermined. Nor is his action the expression of a corrupt character. Di sini ada pertimbangan dan alasan lebih rumit yang tersedia untuk kekuatan apa [yang] yang pertama nampak seperti suatu tindakan [dari;ttg] korupsi penyebab mulia. Barangkali suatu polisi tidak mengetahui bahwa format beberapa bukti tidaklah dapat diterima. Kepercayaan polisi sumbang/palsu yang suatu tindakan adalah benar (meletakkan pemain depan bukti di (dalam) suatu pengadilan) secara rasional dependent pada [atas] beberapa yang sumbang/palsu kepercayaan tidak moral ([bahwa/yang] bukti adalah dapat diterima); dan polisi datang untuk [memegang/menjaga] kepercayaan [yang] tidak moral itu sebagai hasil suatu proses masuk akal (ia telah diberitahukan, atau sedikitnya menjelaskan keliru, [bahwa/yang] bukti adalah dapat diterima oleh seorang petugas senior). Ini akan menundukkan [kita/kami] untuk kata[kan [bahwa/yang] tindakan yang yang bereputasi baik [dari;ttg] korupsi penyebab mulia tidaklah benar-benar suatu tindakan korupsi- walaupun itu bisa melayani untuk mengikis suatu proses kelembagaan [yang] sah- dan oleh karena itu bukan suatu tindakan [dari;ttg] korupsi penyebab mulia. Intuisi ini adalah konsisten dengan rekening/tg-jawab korupsi [kita/kami]. Polisi yang dimasalahkan benar-benar melaksanakan suatu tindakan yang menggangsiir suatu proses peradilan pidana sah. Bagaimanapun, tindakan nya tidaklah merusak sebab ia bukanlah suatu koruptor. Ia tidak berniat untuk mengikis proses [itu], ia tidak meramalkan [bahwa/yang] proses akan digangsiir, dan ia tidak bisa layak telah diharapkan untuk meramalkan bahwa itu akan digangsiir. Maupun adalah tindakan nya ungkapan suatu karakter jahat.

Earlier, it was suggested that acts of noble cause corruption are paradigmatically actions that morally ought not to be performed, contra what the actor believes. However, it is conceivable that some acts of noble cause corruption are morally justified. Perhaps the act of noble cause corruption while wrong in itself, nevertheless, was morally justified from an all things considered standpoint. If so, we might conclude either that the action was not an act of corruption (and therefore not an act of noble cause corruption). Alternatively, we might conclude that it was an act of corruption, but one of those few acts of corruption that was justified in the circumstances. Perhaps both options are possibilities. Di sini ada pertimbangan dan alasan lebih rumit yang tersedia untuk kekuatan apa [yang] yang pertama nampak seperti suatu tindakan [dari;ttg] korupsi penyebab mulia. Barangkali suatu polisi tidak mengetahui bahwa format beberapa bukti tidaklah dapat diterima. Kepercayaan polisi sumbang/palsu yang suatu tindakan adalah benar (meletakkan pemain depan bukti di (dalam) suatu pengadilan) secara rasional dependent pada [atas] beberapa yang sumbang/palsu kepercayaan tidak moral ([bahwa/yang] bukti adalah dapat diterima); dan polisi datang untuk [memegang/menjaga] kepercayaan [yang] tidak moral itu sebagai hasil suatu proses masuk akal (ia telah diberitahukan, atau sedikitnya menjelaskan keliru, [bahwa/yang] bukti adalah dapat diterima oleh seorang petugas senior). Ini akan menundukkan [kita/kami] untuk kata[kan [bahwa/yang] tindakan yang yang bereputasi baik [dari;ttg] korupsi penyebab mulia tidaklah benar-benar suatu tindakan korupsi- walaupun itu bisa melayani untuk mengikis suatu proses kelembagaan [yang] sah- dan oleh karena itu bukan suatu tindakan [dari;ttg] korupsi penyebab mulia. Intuisi ini adalah konsisten dengan rekening/tg-jawab korupsi [kita/kami]. Polisi yang dimasalahkan benar-benar melaksanakan suatu tindakan yang menggangsiir suatu proses peradilan pidana sah. Bagaimanapun, tindakan nya tidaklah merusak sebab ia bukanlah suatu koruptor. Ia tidak berniat untuk mengikis proses [itu], ia tidak meramalkan [bahwa/yang] proses

akan digangsir, dan ia tidak bisa layak telah diharapkan untuk meramalkan bahwa itu akan digangsir. Maupun adalah tindakan nya ungkapan suatu karakter jahat.

Suppose an undercover police officer offers a 'bribe' to a corrupt judge for the purpose, supposedly, of getting the judge to pass a lenient sentence on a known mafia crime boss. The police officer is actually engaged in a so-called sting operation as part of an anti-corruption strategy. The judge accepts the bribe and is duly convicted of a criminal offence and jailed. (Let us also assume that the judge is already so corrupt that he will not be further corrupted by being offered the bribe.) The police officer offers the bribe for the purpose of achieving a moral good, i.e. convicting a corrupt official. However, we are disinclined to call this a case of corruption. Presumably the reason for this is that in this context the 'bribe' does not have a corrupting effect; in particular, it does not succeed in undermining the judicial process of sentencing the crime boss. So this is a case in which a putative act of noble cause corruption turns out not to be an act of corruption, and therefore not an act of noble cause corruption.^[24] Ira suatu penawaran polisi menyamar a 'menyuap' [bagi/kepada] suatu jahat [menilai/menghakimi] untuk tujuan, [yang] menurut dugaan, tentang memperoleh [hakim/wasit] untuk menyampaikan suatu [kalimat;hukuman] toleran suatu boss kejahatan mafia dikenal. Polisi benar-benar disibukkan dengan suatu yang disebut operasi sengat sebagai bagian dari suatu anti-corruption strategi. [Hakim/Wasit] menerima uang suap [itu] dan tepat dihukum suatu penyerangan penjahat dan memenjarakan. (Mari kita juga berasumsi bahwa [hakim/wasit] [itu] telah maka jahat yang ia tidak akan lebih lanjut dirusak dengan [menjadi] ditawarkan uang suap [itu].) Polisi menawarkan uang suap [itu] untuk kepentingan menuju keberhasilan suatu moral baik, yaitu. menghukum suatu pejabat jahat. Bagaimanapun, kita adalah disinclined untuk [sebut/panggil/hubungi] kasus korupsi suatu ini. [Yang] kiranya alasan untuk ini adalah bahwa di (dalam) konteks ini 'uang suap' tidak mempunyai suatu merusak efek; khususnya, [itu] tidak berhasil menggangsir proses yang hal tentang pengadilan menghukum boss kejahatan. Maka ini adalah suatu kasus di mana suatu tindakan yang bereputasi baik [dari;ttg] korupsi penyebab mulia menghasilkan tidak suatu tindakan korupsi, dan oleh karena itu bukan suatu tindakan [dari;ttg] penyebab mulia corruption.[24]

On the other hand, suppose someone bribes an immigration official in order to ensure that his friend — who is ineligible to enter Australia — can in fact enter Australia, and thereby have access to life-saving hospital treatment. This act of bribery is evidently an act of institutional corruption; a legitimate institutional process has been subverted. However, the person acted for the sake of doing what he believed to be morally right; his action was an instance of noble cause corruption. Moreover, from an all things considered standpoint — and in particular, in the light of the strength of the moral obligations owed to close friends when their lives are at risk — his action may well be morally justified. Accordingly, his act of corruption may well not have a corrupting effect on himself. Plausibly, this explains any tendency we might have not to describe his action as an action of corruption. But from the fact that the person was not corrupted it does not follow that the act did not corrupt. Moreover, it does not even follow that some person or other was not corrupted. Clearly, in our example, the immigration official was corrupted. Pada sisi lain, umpamakan seseorang menyuap suatu petugas imigrasi dalam rangka memastikan bahwa teman nya- [siapa] yang adalah tidak memenuhi syarat untuk masuk Australia Austria- dapat sesungguhnya masuk Australia Austria, dan dengan demikian mempunyai mengakses [bagi/kepada] life-saving perawatan rumah sakit. Tindakan penyuaipan ini dengan jelas suatu tindakan [dari;ttg] korupsi kelembagaan; suatu proses [yang] kelembagaan sah telah ditumbangkan. Bagaimanapun, orang bertindak atas nama sake;tujuan melakukan apa

yang ia percaya untuk;menjadi [hak/ kebenaran] secara moral; tindakan nya adalah suatu kejadian [dari;ttg] korupsi penyebab mulia. Lebih dari itu, dari suatu setelah dipertimbangkan sudut pandang- dan khususnya, dipandang dari sudut kekuatan kewajiban moral yang berhutang ke sahabat karib ketika hidup mereka berhadapan dengan resiko- tindakan nya boleh sungguh secara moral dibenarkan. Maka, tindakan korupsi nya boleh baik bukan mempunyai suatu merusak efek pada [atas] [sen]dirinya. Secara masuk akal/jujur, ini menjelaskan manapun kecenderungan kita mungkin tidak mempunyai untuk menguraikan tindakan nya sebagai suatu tindakan korupsi. Tetapi dari fakta bahwa orang tidaklah dirusak ia/nya tidak mengikuti [bahwa/yang] tindakan tidak merusak. Lebih dari itu, [itu] tidak genap mengikuti bahwa beberapa orang atau lain tidaklah dirusak. Dengan jelas, di (dalam) contoh [kita/kami], petugas imigrasi telah dirusak.

Now consider a police officer in India whose meagre wages are insufficient to enable him to feed, clothe, and educate his family, and who is prohibited by law from having a second job. Accordingly, he supplements his income by accepting bribes from certain households in a wealthy area in return for providing additional surveillance and thus greater protection from theft; this has the consequence that other wealthy households tend to suffer a somewhat higher level of theft than otherwise would be the case. The police officer is engaged in corruption, and his corruption has a noble cause, viz. to provide for the minimal wellbeing of his family. Moreover, arguably his noble cause corruption is morally justified by virtue of the moral obligations he has to provide for the basic needs of his family. In this section the following propositions have been advanced: (a) the phenomenon of noble cause corruption is a species of corruption, and it is seen to be so by the lights of this account of corruption; (b) conceivably, some acts of noble cause corruption are morally justified. Sekarang mempertimbangkan suatu polisi di (dalam) India gaji sedikit/tidak cukup/kurus a siapa adalah tidak cukup untuk memungkinkan dia untuk memberi makan, mendadani, dan mendidik keluarga nya, dan siapa yang dilarang di depan hukum dari mempunyai;nikmati suatu pekerjaan detik/second. [Yang] maka, ia melengkapi pendapatan nya dengan diterimanya uang suap dari rumah tangga tertentu di (dalam) suatu area kaya sebagai penukar menyediakan pengawasan tambahan dan [dengan] begitu perlindungan lebih besar dari pencurian; ini mempunyai konsekwensi yang lain rumah tangga kaya [tujuan/cenderung] untuk menderita suatu sedikit banyak(nya) untuk tingkat yang lebih tinggi pencurian dibanding jika tidak akan adalah kasus [itu]. Polisi sibuk dengan korupsi, dan korupsi nya mempunyai suatu penyebab mulia, viz. untuk menyediakan yang minimal wellbeing keluarga nya. Lebih dari itu, yang dapat dibantah korupsi penyebab [yang] mulia nya secara moral dibenarkan berdasarkan atas kewajiban moral [yang] ia harus menyediakan [itu] kebutuhan dasar keluarga nya. Di (dalam) bagian ini dalil yang berikut telah [maju/lanjut]: (a) peristiwa [dari;ttg] korupsi penyebab mulia adalah suatu jenis korupsi, dan [itu] nampak menjadi sangat oleh terang rekening/tg-jawab korupsi ini; (b) secara masuk akal, beberapa tindakan [dari;ttg] korupsi penyebab mulia secara moral dibenarkan.

4. Conclusion

In the light of the diverse range of corrupt actions, and the generic nature of the concept of corruption, it is unlikely that any precise and detailed definition of institutional corruption is possible. Nor is it likely that the field of corrupt actions can be neatly circumscribed by recourse to a set of self-evident criteria. Rather we should content ourselves with the somewhat vague and highly generic definition of institutional corruption provided above; and then proceed in a relatively informal and piecemeal manner to try to identify a range of moral and/or legal offences that are known to

contribute under certain conditions to the undermining of morally legitimate institutions. Such offences obviously include bribery, nepotism, and some — but not all — cases of fraud. But under certain circumstances they might also include breaches of confidentiality that compromise investigations, the making of false statements that undermines court proceedings or selection committee processes, selective enforcement of laws or rules by those in authority, and so on and so forth. Dipandang dari sudut cakupan tindakan jahat yang berbeda, dan alam[i] yang umum konsep korupsi, [itu] tidak mungkin bahwa semua tepat dan memerinci definisi [dari;ttg] korupsi kelembagaan adalah mungkin. Maupun apakah (itu) mungkin [bahwa/yang] bidang tindakan jahat dapat dengan rapi dibatasi oleh kesulitan [bagi/kepada] satu set self-evident ukuran-ukuran. Melainkan kita [perlu] isi diri kita dengan sedikit banyak(nya) definisi [yang] [yang] umum dan samar-samar [dari;ttg] korupsi kelembagaan menyajikan di atas; dan kemudian berproses [adalah] suatu [yang] informal dan sedikit demi sedikit cara untuk mencoba untuk mengidentifikasi bidang moral dan/atau penyerangan sah/tentang undang-undang yang dikenal untuk menyokong di bawah kondisi-kondisi tertentu kepada penggangsi [dari;ttg] institusi secara moral sah. . seperti (itu) penyerangan [yang] sungguh-sungguh meliputi penyuaipan, nepotisme, dan beberapa- tetapi tidak semua- kasus penipuan. Tetapi di bawah keadaan tertentu [yang] mereka mungkin juga meliputi pelanggaran atas kerahasiaan yang berkompromi penyelidikan, pembuatan statemen sumbang/palsu yang mengikis cara bekerja [pengadilan/lingkungan] atau proses panitia pemilihan, penyelenggaraan hukum [yang] selektip atau aturan oleh mereka yang otoritas, dan seterusnya dan sebagainya.

The wide diversity of corrupt actions has at least two further implications. Firstly, it implies that acts of institutional corruption as a class display a correspondingly large set of moral deficiencies. Certainly, most corrupt actions will be morally wrong, and morally wrong at least in part because they undermine morally legitimate institutions. However, since there are many and diverse offences at the core of corrupt actions, there will also be many and diverse moral deficiencies associated with different forms of corruption. Some acts of corruption will be moral deficient by virtue of involving deception, others by virtue of infringing a moral right to property, still others by virtue of infringing a principle of impartiality, and so on. Secondly, the wide diversity of corrupt actions implies that there may well need to be a correspondingly wide and diverse range of anti-corruption measures to combat corruption in its different forms, and indeed in its possibly very different contexts. Keaneka ragam jahat yang lebar/luas tindakan mempunyai sedikitnya dua implikasi lebih lanjut . [Yang] pertama-tama, [itu] menyiratkan yang berlaku korupsi kelembagaan sebagai kelas memajang suatu [yang] besar satuan defisiensi moral. [Yang] pasti, kebanyakan tindakan jahat akan [jadi] secara moral salah, dan secara moral bersalah [kepada] sedikitnya sebagian karena mereka mengikis institusi secara moral sah. Bagaimanapun, [karena;sejak] ada banyak dan penyerangan berbeda di inti tindakan jahat, akan ada juga banyak dan defisiensi moral berbeda berhubungan dengan format korupsi berbeda. Beberapa tindakan korupsi akan [jadi] moral yang tak mencukupi berdasarkan atas menyertakan penipuan, (orang) yang lain berdasarkan atas melanggar/menggagalkan suatu moral hak-hak untuk [properti/milik], tenang (orang) yang lain berdasarkan atas melanggar/menggagalkan suatu prinsip kenetralan, dan demikian on. Secondly, keaneka ragam tindakan jahat yang lebar/luas menyiratkan bahwa [di/ke] sana boleh baik perlu untuk suatu cakupan anti-corruption [yang] berbeda dan lebar/luas mengukur untuk menyerang korupsi dalam format berbeda nya , dan tentu saja dalam contexts. I [yang] sangat berbeda pula.

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II

July 12, 2006

On Corruption ON PHILOSOPHY

Filed under: [Ethics](#) — Peter @ 12:24 am

*What is **corruption**? People who believe in **corruption** believe that exposing a person to evil will make them evil. This could be taken to mean a lot of different things, so before we jump into this topic let me clarify exactly the kind of **corruption** that I will be discussing here. I am not talking about a person who is exposed to traumatic events, resulting in psychological problems. It is true that their actions may subsequently be "evil", but I think we can all agree that the person is not truly evil in this case, they simply need help. I am also not talking about people who are raised without good role models. Although they may grow up to be "evil" people, it was not the evil they were exposed to that caused them to act in this way, but more of a lack of positive influences, which are required for the possibility of good behavior.* Apa korupsi itu? Orang-orang yang percaya akan korupsi percaya bahwa pembongkaran kejahatan/malapetaka seseorang akan membuat mereka jahat. Ini bisa diambil untuk berarti banyak hal-hal yang berbeda-beda, maka [sebelum/di depan] kita melompat ke dalam topik ini beri aku kesempatan memperjelas persisnya macam korupsi yang aku akan [jadi] mendiskusikan di sini. Aku tidaklah membicarakan tentang seseorang yang diunjukkan ke peristiwa traumatis, menghasilkan permasalahan psikologis. Adalah benar bahwa tindakan mereka boleh sesudah itu " [kejahatan/ malapetaka]", tetapi aku berpikir kita semua bisa setuju bahwa orang tidaklah sungguh-sungguh jahat dalam hal ini, mereka hanya memerlukan bantuan. Aku adalah juga tidak membicarakan tentang orang-orang yang diangkat tanpa model peran baik. Walaupun mereka boleh tumbuh atas untuk;menjadi " jahat" orang-orang, [itu] bukanlah [kejahatan/ malapetaka] [yang] mereka telah diunjukkan ke [yang] disebabkan itu [mereka/nya] untuk bertindak dengan cara ini, hanyalah lebih suatu ketiadaan pengaruh positif, yang diperlukan untuk kemungkinan [dari;tg] perilaku baik.

*Although the belief in **corruption** may seem archaic or silly there are many people who act as though it was a real possibility. For example some people refuse to see TV or movies that contain swearing. This is not because they dislike swearing, if that were the*

case they would occasionally make exceptions for a movie that otherwise promised to be excellent (just as we will all occasionally go to see a movie that contains an actor whose performances we dislike). No, they seem to have a fear that if they expose themselves to others acting evilly that they will begin to act the same way (and thus suffer some sort of eternal torment, for I have most often observed these behaviors in the strongly religious).

Walaupun kepercayaan di (dalam) korupsi boleh nampak pandir atau kuno ada banyak orang-orang [siapa] yang bertindak sebagai meskipun [demikian] [itu] adalah suatu kemungkinan riil. Sebagai contoh sebagian orang berkeberatan untuk lihat TV atau gambar hidup yang berisi bersumpah. Ini adalah bukan sebab mereka tidak menyukai bersumpah, jika itu adalah kasus [yang] mereka akan adakalanya membuat perkecualian untuk suatu bioskop yang jika tidak berjanji untuk;menjadi sempurna (sama [halnya] kita akan semua adakalanya pergi untuk lihat suatu bioskop yang berisi seorang aktor capaian siapa [yang] kita tidak menyukai). Tidak (ada), mereka nampak untuk mempunyai suatu ketakutan bahwa jika mereka menyingkapkan diri mereka ke (orang) yang lain bertindak dengan kedengkian bahwa mereka akan mulai untuk bertindak [jalan/cara] yang sama (dan [dengan] begitu menderita beberapa macam abadi menyiksa, karena aku mempunyai paling sering mengamati perilaku ini di (dalam) yang betul-betul religius)

*Are their fears warranted? We know that being exposed to a phenomenon repeatedly will desensitize a person to it (they will no longer have an emotional reaction to it, or at least a much smaller one than they had initially). However desensitization by itself will not cause a person to act badly. For example I don't have a strong emotional reaction (or really any emotional reaction) to theft, but I never find myself inclined to steal, since don't believe it to be the right thing to do. As far as I can determine there are only two other possibilities. One is that they secretly desire to perform the "evil" action and that it is their revulsion of it that prevents them from acting on their desire. Thus they fear that if they became desensitized they might actually start acting evilly. If this is really the case I think it reflects badly on the person who fears **corruption**, and they need to reflect closely on their morality. If they really have a reason to do good instead of evil then there is no real danger that they will act evilly, even if they desire to do so, because of the aforementioned reason. If they have no reason to do the right thing, or worry that their reason may be overcome by their desires, it would seem better to seek psychological help rather than to constantly worry about becoming desensitized to evil.*

Apakah ketakutan mereka dijamin? Kita mengetahui bahwa diunjukkan ke suatu peristiwa [yang] berulang-kali akan desensitize seseorang untuk itu (mereka akan tidak lagi mempunyai suatu reaksi emosional untuk itu, atau sedikitnya yang jauh lebih kecil dibanding mereka mempunyai pada awalnya). Bagaimanapun desensitisasi dengan sendirinya tidak akan menyebabkan seseorang untuk bertindak dengan sangat buruk. Sebagai contoh aku tidak mempunyai suatu reaksi emosional kuat (atau benar-benar manapun reaksi emosional) ke pencurian, tetapi aku tidak pernah temukan diri ku menundukkan untuk mencuri, karena tidak percaya jadinya hal yang benar untuk lakukan. Sejauh aku dapat menentukan ada hanya dua lain berbagai kemungkinan. Satu adalah bahwa mereka dengan diam-diam menginginkan untuk melaksanakan [itu] " [kejahatan/ malapetaka]" tindakan dan bahwa perubahan mereka tentangnya itu mencegah [mereka/nya] dari bertindak pada keinginan mereka. Dengan begitu mereka takut bahwa jika mereka menjadi desensitized mereka mungkin benar-benar start acting [yang] dengan kedengkian. Jika ini adalah benar-benar kasus [yang] aku berpikirkannya mencerminkan dengan sangat buruk pada orang yang takut korupsi, dan mereka harus mencerminkan kelekatan pada kesusilaan mereka. Jika mereka benar-benar mempunyai suatu alasan untuk berbuat baik sebagai ganti [kejahatan/ malapetaka] kemudian tidak ada bahaya riil yang mereka akan bertindak dengan kedengkian, sekalipun mereka menginginkan untuk melakukannya, oleh karena alasan yang tersebut diatas [itu]. Jika mereka tidak punya alasan untuk lakukan hal yang benar, atau ragu-ragu bahwa alasan mereka mungkin diperdaya oleh keinginan mereka, hal itu akan nampak lebih baik untuk mencari

bantuan psikologis dibanding/bukannya untuk secara konstan cemas akan menjadi desensitized ke jahat.

*There is of course another possibility why people might worry about **corruption**, that reflects less negatively on the individual. Perhaps they suppose that watching evil acts in conjunction with something they find enjoyable, for example a good movie in which the characters swear, will cause them to associate the “evil” with the pleasure they find in its context, and thus become more inclined to act evilly (a kind of conditioning effect). I find it unlikely that this conditioning effect could occur in real life situations, because our natural aversion to that which we judge to be wrong will remove any pleasure from the situation. However what about fictional evils? We can find pleasure in fictional works where evil occurs, because we know it is not real evil. Even so, I would argue that this wouldn’t condition us to like real evil, only to like fictional evil. (For example I tend to prefer books where the authors use the death of a character to move the plot along, but I am not tempted to kill my friends.) Of course if one isn’t able to tell the difference between fiction and reality then there is a possibility that these fictional evils could give rise to an inclination to do real evil, however every healthy adult can make this distinction. Perhaps those who cannot should be sheltered from such things (such as children), but once again this cannot justify the behavior of healthy adults who act as though they fear **corruption**.*

Tentu saja ada kemungkinan lain mengapa orang-orang mungkin cemas akan korupsi, yang [itu] mencerminkan lebih sedikit secara negatif pada [atas] individu [itu]. Barangkali mereka mengira bahwa menyaksikan tindakan jahat bersama dengan sesuatu (yang) mereka temukan menyenangkan, sebagai contoh suatu bioskop baik di mana sumpah karakter, akan menyebabkan [mereka/nya] untuk berhubungan " yang jahat" dengan kesenangan [yang] mereka temukan dalam konteks nya , dan [dengan] begitu menjadi [yang] lebih ditundukkan untuk bertindak dengan kedengkian (semacam efek pengaruh keadaan). Aku temukannya mau tidak mau bahwa pengaruh keadaan efek bisa terjadi situasi hidup riil, sebab kebencian [yang] alami kita untuk yang itu kita nilai untuk menjadi bersalah [kepada] akan memindahkan manapun kesenangan dari situasi [itu]. Bagaimanapun bagaimana kejahatan khayal? Kita dapat temukan kesenangan di (dalam) pekerjaan khayal [di mana/jika] [kejahatan/ malapetaka] terjadi, sebab kita mengetahui ia/nya bukanlah [kejahatan/ malapetaka] riil. Meskipun demikian, aku akan membantah bahwa . ini tidak akan kondisi [kita/kami] untuk suka [kejahatan/ malapetaka] riil, hanya untuk suka [kejahatan/ malapetaka] khayal. (Sebagai contoh aku [tujuan/ cenderung] untuk menyukai buku [di mana/jika] pengarang menggunakan kematian suatu karakter untuk pindah;gerakkan alur cerita [itu] sepanjang, tetapi aku tidaklah di]tergoda untuk membunuh para teman ku.) Tentu saja jika satu bukan mampu ceritakan [kepada] perbedaan [itu] antar[a] fiksi dan kenyataan kemudian ada suatu kemungkinan yang [kejahatan/ malapetaka] [yang] khayal ini bisa memberi kenaikan [bagi/kepada] suatu kecenderungan/kemiringan untuk lakukan [kejahatan/ malapetaka] riil, bagaimanapun tiap-tiap orang dewasa sehat dapat membuat perbedaan ini. Barangkali mereka yang tidak bisa harus dinaungi dari . seperti (itu) berbagai hal (seperti anak-anak), tetapi sekali lagi ini tidak bisa membenarkan perilaku [dari;ttg] orang dewasa sehat [siapa] yang bertindak sebagai meskipun [demikian] mereka takut korupsi.

*So if **corruption** isn’t real where does the belief in it come from? I think it arises from ill-conceived analogies between evil and physical substances. For example if you compare evil to something like mud you might be afraid that being around something evil might cause the evil to rub off on you, just as handling muddy things will make you dirty. Evil is also often compared to disease (especially in primitive religions, which often thought that disease was a manifestation of evil), and if you believe in this analogy you might think that being around evil could cause you to “catch” it. It shouldn’t be surprising that such*

analogies lead to bad conclusions, since evil is an abstraction about the physical, much more like math than mud or sickness. You wouldn't think that being exposed to differentiation would make you more differentiable, and so you shouldn't think that being exposed to evil would make you evil. Maka jika korupsi bukan riil di mana kepercayaan di dalamnya datang dari? Aku berpikir ia/nya bangun dari analogi ill-conceived antar[a] [kejahatan/ malapetaka] dan fisik unsur. Sebagai contoh jika kamu bandingkan jahat ke kira-kira lumpur kamu mungkin jadilah mahluk itu ketakutan di sekitar sesuatu (yang) [kejahatan/ malapetaka] mungkin menyebabkan yang jahat untuk pindah kamu, sama [halnya] menangani berbagai hal berlumpur akan membuat kamu kotor. [Kejahatan/ malapetaka] adalah juga sering dibandingkan ke penyakit ([yang] terutama di (dalam) agama primitif, yang sering pikir penyakit itu adalah suatu penjelmaan [kejahatan/ malapetaka]), dan jika kamu percaya akan analogi ini kamu mungkin berpikir mahluk itu di sekitar [kejahatan/ malapetaka] bisa menyebabkan kamu untuk " menangkap" itu. [Itu] seharusnya tidak jadilah mengejutkan bahwa . seperti (itu) analogi mendorong kearah kesimpulan tidak baik, [karena;sejak] [kejahatan/ malapetaka] adalah suatu abstrak tentang phisik, jauh lebih seperti math dibanding lumpur atau penyakit. Kamu tidak akan berpikir mahluk itu menunjukkan ke pembedaan akan membuat kamu [yang] lebih differentiable, dan demikian kamu seharusnya tidak berpikir mahluk itu menunjukkan ke [kejahatan/ malapetaka] akan membuat kamu [kejahatan/ malapetaka].

5 Comments »

1. 

I find this argument highly unconvincing. I started swearing around the same time that I started hanging around people who swear a lot and watching media that involves a lot of swearing. If I had kept hanging out with the same old people and watching the same kinds of media, it's unlikely that I would have spontaneously developed Tourette's.

People's speech copies what they hear. That's a basic law of linguistics. Move to Japan, and you'll start using some Japanese. Hang around swearing, and you'll at least start swearing in your head. Now, you may not start swearing aloud if you have good self-control, but at the very least, you've made it easier for you to swear when you're under stress and don't feel like following all the rules. It's perfectly understandable for those who don't want to swear to limit their expose to swearing.

Watching stealing or murdering is a completely different thing, because those actions aren't the kinds of things that we automatically copy in our heads, but for words, the process is a part of human nature.

Comment by [Carl](#) — July 14, 2006 @ [8:59 pm](#)

2.

I would accept that argument only if you could cite references to psychological research to support it.

Comment by [Peter](#) — July 14, 2006 @ [9:08 pm](#)

3.

And I'm not sure it would matter even if it was true, because it would simply demonstrate that you didn't have good reason not to swear, which implies that your lack of swearing was not part of your moral character to begin with, and simply an accident. In that case you are not actually a better person for a lack of swearing. Of course it is unlikely that swearing is part of moral character at all.

Comment by [Peter](#) — July 14, 2006 @ [9:10 pm](#)

4.



“And I'm not sure it would matter even if it was true, because it would simply demonstrate that you didn't have good reason not to swear...”

e.g., did not have a wide vocabulary from which to draw in your attempt to express ‘feelings.’

Comment by [meleeph](#) — July 16, 2006 @ [9:16 am](#)

5.



I do not find this article very convincing, for it is incorrect in some truths that are meant to enlighten us on the “truth”- the truly religious Christians are actually called upon to be around the corrupt- Zacchaeus the tax collector, for example. Therefore, the really religious do not shy away from this, but rather try to teach and help, confident enough in their faith not to succumb.

And I agree, swearing isn't a moral facet, it is a habit that people keep up to shock others, without having a more varied vocabulary- It actually would be loads more shocking if someone used the words “gall-livered strumpet” in an argument, not that that's very nice either. ;P

Comment by [Denise](#) — November 30, 2006 @ [8:09 pm](#)

Ini adalah tembolok Google' untuk <http://www.online.bg/coalition2000/eng/monitor.htm>. Gambar ini adalah jepretan laman seperti yang ditampilkan pada tanggal 17 Jul 2008 04:45:42 GMT. Sementara itu, [halaman tersebut](#) mungkin telah berubah. [Pelajari Selengkapnya »](#)

[Versi hanya teks](#)

Berikut adalah frasa penelusuran yang disorot: **philosophy corruption**

COALITION 2000

Corruption

Monitoring System

Sofia, July 1998

CONTENT

- METHODOLOGY
- **CORRUPTION** INDICES
- **CORRUPTION** INDICES: STRUCTURE AND INTERPRETATION
- THE SOCIAL MEANING OF **CORRUPTION** INDICES
- VALUES OF **CORRUPTION** INDICES
- CONCLUSIONS
- SUMMARY: THE **CORRUPTION** INDICES OF COALITION 2000
- METHODOLOGY AND DESIGN

[Corruption Monitoring System \(PDF Format\) - 225Kb](#)

COALITION 2000
CORRUPTION INDICES
 METHODOLOGY

The **corruption** indices are constructed based on survey data of Vitosha Research with the Center for the Study of Democracy and are among the basic output results of the **Corruption** Monitoring System (CMS).

The development of the CMS began with the first quantitative survey on **corruption** in March 1997. In the period till September 1998 a total of 5 quantitative and 4 qualitative surveys have been conducted.

Based on the experience gained, in the period July-September 1998 the first surveys (2 quantitative and 3 qualitative) of the CMS have been conducted. The present issue of the **Corruption** Indices of *Coalition 2000* is based on these recent surveys.

The methodology of the CMS envisions *periodic monitoring* of a set of indicators characterizing the way in which citizens and public sector employees perceive **corruption** and also their involvement in different forms of corrupt practices.

CORRUPTION INDICES

Corruption indices are among the important outputs of the **Corruption** Monitoring System (CMS) of *Coalition 2000*. Their values will be updated quarterly based on survey data.

Corruption assessment index numbers assume values from 0.10.

The closer the value of the index is to 10, the more negative are the assessments of the state of **corruption**. Index numbers closer to 0 indicate approximation to the ideal of a "**corruption**-free" society.

Corruption indices have been grouped into several categories:

- . Attitudes towards **corruption**;
- . Corrupt practices;
- . Assessments of the scope of **corruption**;
- . **Corruption**-related expectations.

CORRUPTION INDICES: STRUCTURE AND INTERPRETATION

1. Attitudes

- | | |
|-------------------------------------|--|
| Acceptability in Principle | Indicates the level of moral acceptance of various corrupt practices. |
| Susceptibility to corruption | Measures the inclination to compromise on values and principles under the pressure of circumstances. |

2. Corrupt Practices

Corruption pressure	Indicates the frequency of attempts to corrupt public officials
Personal involvement in corrupt practices	Self-assessment / admission of the frequency of involvement in different forms of corrupt behavior
3. Assessments of the spread of corrupt practices	
Spread of corruption	Indicates citizens' assessments of the spread of corrupt practices among public officials
Practical effectiveness	Indicates citizens' assessments of the extent to which corruption is becoming an efficient tool of solving personal problems and a social norm of behavior.

4. **Corruption** Expectations

Expectations with **corruption** Assessment of the potential of Bulgarian society to cope .

THE SOCIAL MEANING OF **CORRUPTION** INDICES

Corruption indices provide an approximation about *the scope and the aspects of corruption* based on the assessments of citizens and public officials. These assessments are the starting point for their practical behavior and the way they perceive their social environment.

Corruption indices could not be a base for making direct conclusions about *the exact level of proliferation* of corrupt practices.

Closest to the dimension *level of proliferation of corruption* is the index of personal involvement in corrupt practices, as it is based on the anonymous admissions by respondents about their involvement in acts of corrupt behavior.

To a certain extent the specific legal characteristics of **corruption** (that both sides act illegally) makes the index of personal involvement in corrupt practices *one of the few realistic measures* of the actual level of proliferation of **corruption**.

Currently, the accuracy level of empirical survey estimates of the realities of **corruption** is substantially higher ó for obvious reasons ó in comparison with the available information from law enforcement institutions.

VALUES OF **CORRUPTION** INDICES

1. Attitudes towards **corruption**

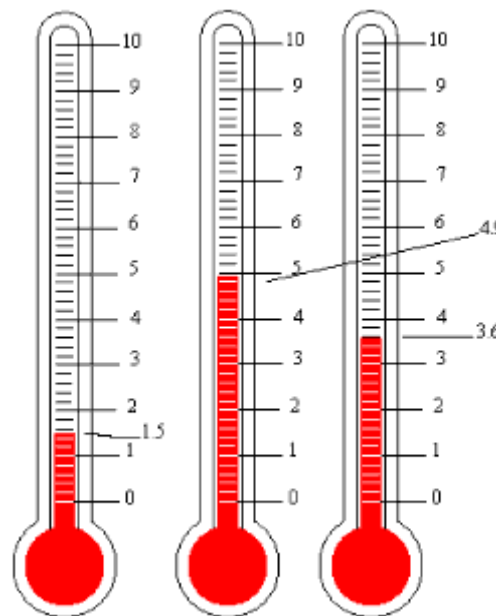
. **Corruption** is perceived as a social evil. There is a large measure of agreement among Bulgarians that **corruption** is unacceptable in principle.

. Reality versus values.

Susceptibility to **corruption** rises seriously when values are confronted with personal interest. People are inclined to compromise their principles because they do not see any other way of achieving their goals.

. **The low level of acceptability of corruption** on the one hand, and the high level of susceptibility, on the other, together shape the following widely accepted practical **philosophy** concerning **corruption**: **corruption** is a necessary evil which in practice gets things done.

Acceptability in principle Susceptibility to **corruption**



Population

Population

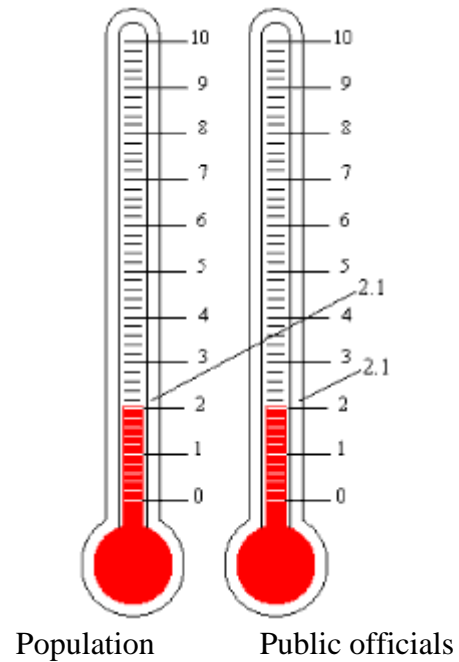
Public officials

2. Corrupt practices

. **Corruption** is not the outcome of open coercion.

Individual **corruption** pressure is relatively low. This suggests that in Bulgaria corrupt behavior is generated not so much by social pressure but, rather, by vested interest and necessity.

Corruption pressure

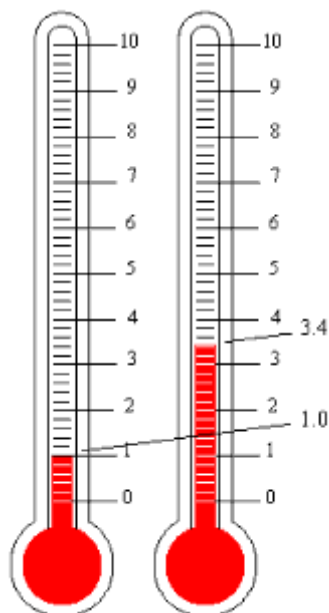


. Not everyone is personally involved in corruption.

The index of corrupt practices is higher among public officials than among the population in general.

The data show that the cases of participation in various forms of corrupt practices do not encompass the majority of the citizens.

Personal involvement
in corrupt practices



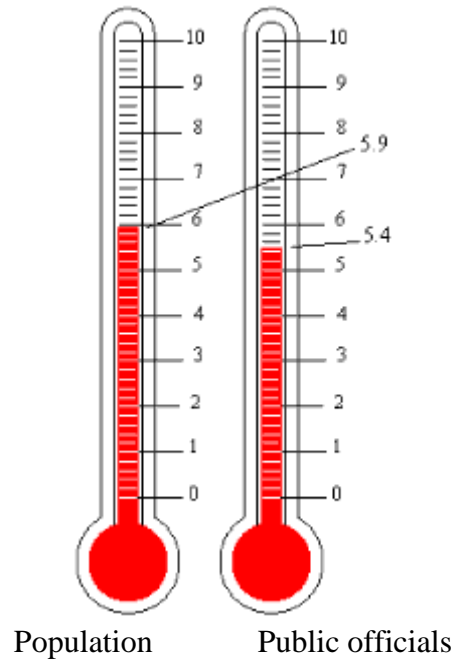
Population Public officials

3. Assessments of the spread of corrupt practices

. Corrupt practices are perceived as widespread and commonplace.

The Bulgarian public tends to perceive **corruption** as a widespread phenomenon which is about to turn into a social norm.

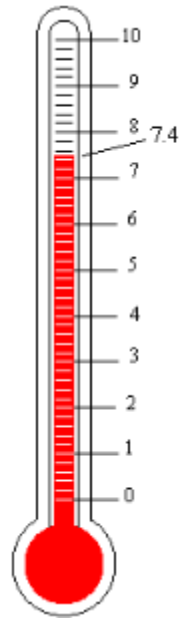
Spread of **corruption**



. Involvement in corrupt practices is socially successful.

This value attitude coexists with the general view, confirmed on a daily basis, that **corruption** is in fact a highly efficient tool for solving personal problems.

Practical effectiveness
of **corruption**



Population

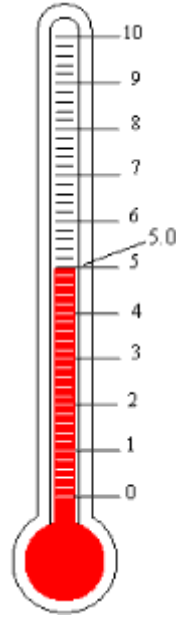
4. Corruption expectations

. **Corruption** will be difficult to eliminate in the foreseeable future.

With regard to the possibility for society to resolve the problem of **corruption**, Bulgarians are not resigned to the worst but rather tend to be moderately pessimistic.

The value of the index suggests that Bulgarians could possibly change their future expectations in case the social environment succeeds in fostering legitimate mechanisms that would pay off better than those of **corruption**.

Expectations

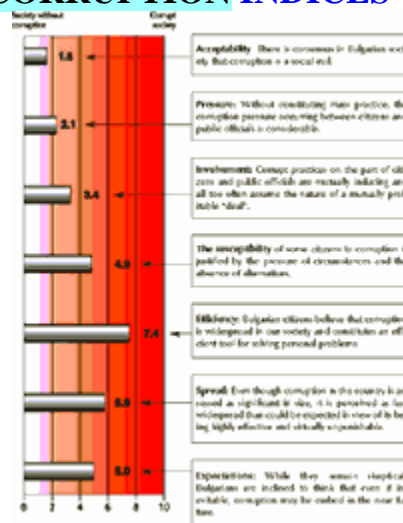


Population
CONCLUSIONS

- . The Bulgarian public regards **corruption** as one of the three most significant problems faced by our society.
- . There is broad consensus that **corruption** is a social evil.
- . Practical circumstances modify the basic intolerance of **corruption** and it comes to be perceived as a necessary evil.
- . The principle unacceptability of **corruption** is eroded by the deeply rooted belief that corrupt practices are highly effective in dealing with problematic situations.
- . Many people admit that when confronted with the reality of pressure and temptation they would compromise over their values. This choice is supported by the conviction that **corruption** is turning into a social norm.
- . The customs and tax administration, the judicial system, the central executive and the legislative branches of government, healthcare, the police, and the municipal administration are considered the main centers of **corruption** among public sector employees.
- . Citizens assess as quite high the extent to which our society has been infected with the virus of **corruption**. This pessimistic view is based on three popularly shared perceptions:
 - . that **corruption** is widespread among public officials;

- . that it is a successful practice both for the corrupting and the corrupted;
- . that it is virtually unpunishable.
- . In mass consciousness there predominates the moderately optimistic attitude that **corruption** could be curbed, and that it is less widespread than could be expected in view of its being a successful and unpunishable social instrument.

SUMMARY: THE **CORRUPTION** INDICES OF *COALITION 2000*



[Large Image](#)

METHODOLOGY AND DESIGN

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SILAKAN DIPERBANYAK LAGI

III

CORRUPTION

:

Corruption - defined as 'the abuse of public power for personal ends' - has always existed. During recent decades, however, it has grown both in terms of geographic extent and intensity. Since the mid 1970s, it has infiltrated virtually every country in the world.

It was hoped that the easing of political and economic restrictions that characterised the 1990s after the end of the Cold War would have gone some way to reducing this phenomenon. Through increased openness resulting from political pluralism and the freedom of the press, the process of democratisation should, under normal circumstances, mobilise efforts to overcome **corruption**. However, emergent democracies are still fragile and seem to find the task of tackling established self-interests a formidable one.

By reducing state intervention and therefore the opportunities for **corruption**, economic liberalisation should, for its part, likewise improve matters. In the short term, however, the opposite would appear to be true. Weakened state structures, a lack of appropriate legislation, powerlessness on the part of the judicial system to combat **corruption**, the pursuit of easy money - mistakenly perceived by some as being equivalent to a market economy - all these factors together contribute to aggravating the phenomenon, at least in the transitional stages. Such a state of affairs cannot fail to have some effect on those who are involved in and concerned by development issues.

Needless to say, **corruption** and its effects can be seen from a multitude of viewpoints.

There is always the ethical angle - but how can we possibly presume to preach to countries of the South and East when bribery is just as rife in the North and when, as far

as **corruption** within international economic relations is concerned, it is in fact, virtually by definition, the North who is the corrupter and the South and East who are the corrupted?

Corruption should be approached from the point of view of the effects it has on development, for it is one of the major obstacles to progress, and that its effects on development are disastrous.

Some people would no doubt counter this assertion with the 'cultural' argument whereby they would have us believe that, in certain cultures, **corruption** is quite normal and morally acceptable.

In the African concept of appreciation and hospitality, a gift is a token. It is not demanded. The value is in the spirit of the giving, not the material worth. The gift is made in the open for all to see, never in secret. Where the gift is excessive, it becomes an embarrassment, and is returned. If anything, **corruption** has perverted the positive aspects of this age-old tradition.

Then there are the cynics - including renowned professors - who claim that **corruption** oils the wheels of progress and enables development to take place.

In this respect, we need to distinguish a small fee, let's call it finder's fee or acceleration fees, which 'helps' certain administrative procedures along and large-scale **corruption** which perverts the course of development.

However, we should not underestimate the destructive effects that even small-scale **corruption** can have on society!

Yet others have simply resigned themselves to the situation. For them, **corruption** is intrinsically linked to underdevelopment. As long as a person's normal income does not provide him with a decent living, the door will always be open to bribes. It is, therefore, through development that we should be attempting to eradicate **corruption**. But, this argument is invalid, for we simply cannot wait for it to be stamped out through development.

If we analyse some of the effects that **corruption** has on development, the first thing we notice is that it increases the cost of goods and services, and not insignificantly either. Although a 5% reduction in the profit margin might, at a pinch, be absorbed by the supplier, **corruption** levels of 10% to 20%, which have become commonplace, will inevitably be reflected in the price and will, consequently, be paid for through the national or foreign (in the case of foreign aid) resources of a country. It is therefore the national economy that ultimately suffers the consequences of an unjustified surcharge on the goods or services, with the difference being pocketed by some government official or politician who has abused his power for his own personal gain.

However, the damaging effects of such practices do not stop there. The corrupt decision-maker may well be tempted to accept a substandard quality of service which will make his personal profit all the greater. Thus, with a road-building project for example, complicity between government departments and contractors may result in corner-cutting with regard to agreed standards of quality so that the savings made may be shared out between the two parties.

At their very worst, the disastrous effects of **corruption** mean that the conception of a project, and ultimately its very choice, are determined by **corruption**. As far as conception is concerned, a good example would be the purchase of a technology which is wholly unsuited to the particular needs of a country or the choice of a capital-intensive project - more lucrative in terms of **corruption** - rather than a labour-intensive one which would nevertheless be far more beneficial to that nation's development.

The absolute peak of perversion, however, is when the very choice of priorities - and therefore of projects - is determined by **corruption**. They are those situations in which the real development priorities of a country are neglected in favour of operations which generate the greatest personal gain for the decision-makers.

And, an economy undermined by **corruption** has the effect of discouraging potential foreign investors and public donors. Success attracts money. Waste, failure and chaos drive it away.

IV

Inherited Corruption

Accounts of [original sin](#) in terms of inherited **corruption** hold that although we cannot be held guilty for Adam's sin, we nevertheless suffer the consequences of it. Adam's sin led to our **corruption**, and this is the sense in which we inherit his sin.

Physical Heredity

One way of cashing out this account of the Fall is in terms of physical hereditary. On this view, the first sin brought about a change in the first man, corrupting his nature, and this **corruption** is then passed on through the generations. What is worse, this **corruption** predisposes each of its recipients to sin, leading Adam's rebellion to be repeated time after time.

On some versions of this theory, the **corruption** itself justifies God's wrath towards us; on others, God's wrath is justified only by the sins that this **corruption** leads us to commit. On this latter view, Adam's sin is seen as the cause of our sinfulness, but God's

wrath is seen as directed at our own individual sinfulness, rather than that of Adam. It therefore avoids the problems associated with the idea of [inherited guilt](#).

The main problem with this account is that sinfulness is an acquired characteristic, but that acquired characteristics are not inherited. Inheritance is a genetic process, but sin is not in the genes and so cannot be passed on by this means.

Social Heredity

On an alternative account, social rather than physical heredity is the means by which Adam's sin is transmitted to us. On this view, Adam's sin merely set a trend, a bad example. Each of us who follows this example does so on his own head. Again, this account holds that Adam's sin is a cause of our sinfulness, but that we too play an active role in original sin by choosing to commit the sins for which we are condemned; Adam is a bad influence, but nothing more.

The main difficulty with this view is that social heredity appears to be too weak a process to explain the widespread nature of sin. Although children do imitate their parents to some degree, not all children imitate their parents in every degree. There is no guarantee that an example such as Adam's will be emulated by all, and so this form of the doctrine of original sin fails to explain universal sinfulness, and so fails to ground the universal need for salvation that is so central to Christianity.

V

[Sailom's](#) **Philosophy**

Discussing philosophical or scientific issues and their possible applications in politics. Monitoring daily world news headlines and commenting them.

Tuesday, November 07, 2006

Corruption Perception Index - Transparency International

*Here is an international comparison of **corruption** levels. I only selected the countries with the biggest economies + the least corrupt country and the most corrupt one.*

*As a whole, there are no surprises: poor countries tend to be the most corrupt. However, we can also notice the high level of **corruption** in Italy (a rich country). The Indians are not that corrupt... given that they are much poorer than the Mexicans, the Russians or the Iranians.*

After comparing this index with the 2005' one, I noticed that **corruption** got worse in Thailand, in the USA and in France.

Sailom

http://www.transparency.org/news_room/in_focus/cpi_2006/cpi_table

Finland -----> 1 (least corrupt country in the world)
 Australia -----> 9th least corrupt country...
 United Kingdom -> 11
 Canada -----> 14
 Germany -----> 16
 Japan -----> 17
 France -----> 18
 USA -----> 20
 Spain -----> 23
 Taiwan -----> 34
 South Korea -----> 42
 Italy -----> 45
 Turkey -----> 60
 Thailand -----> 63
 Brazil -----> 70
 China -----> 70
 India -----> 70
 Mexico -----> 70
 Iran ----->105
 Russia ----->121
Indonesia ----->130
 Haiti ----->163 (most corrupt country in the world)

V

Corruption and Anti-**Corruption**: An Applied Philosophical Approach

Seumas Miller, *Charles Sturt University*

Peter Roberts, *Charles Sturt University*

Edward Spence, *Charles Sturt University*

Michael Boylan, **Series Editor, Basic Ethics in Action Series**, *Marymount University*

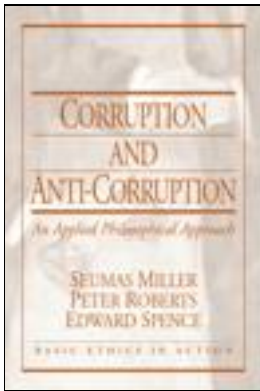
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VI

Corruption and Anti-Corruption: An Applied Philosophical Approach




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Seumas Miller, *Charles Sturt University*
Peter Roberts, *Charles Sturt University*
Edward Spence, *Charles Sturt University*
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Preface

This is a book about **corruption**, and also about *anti-corruption*. The first half of the book concerns itself with the nature, causes, and moral implications of **corruption**, and the second half with the means for combating **corruption**.

Moreover, this is a study in *applied philosophy*. As such, the book does not restrict itself to one form of **corruption**, such as economic **corruption**. Rather, it considers many forms of **corruption** including ones that are not economic in substance or in motivation. Consider an academic who plagiarizes her colleagues' work in order to become famous, or a sadist who abuses his political authority by mistreating subordinates because he derives pleasure from doing so.

Being an applied philosophical study, the book deals with practical issues, for example, how to combat bribery, but it does so on the assumption that prior philosophical work is required if those practical issues are to be satisfactorily resolved. Thus, we need to understand the nature of noble cause **corruption**, including its differences from other common or garden forms of **corruption**, if it is to be satisfactorily treated. Moreover, since it is applied **philosophy**, there is a need to take into account *empirical work*, for example, on the causes of specific forms of **corruption**.

Contrary to what is sometimes said and thought, **corruption** is at bottom a species of moral wrongdoing or of unethical behavior. It is not simply, or necessarily, a species of unlawful activity. Here it is important to stress that law and morality are not the same thing. Therefore, our starting point in this book is that **corruption** is a species of immorality. In Chapter 1, we provide a *conceptual analysis of corruption*, thus understood. We also offer a number of taxonomies of **corruption**, for example, organized, systemic, and grand **corruption**.

In Chapter 2, we consider three general *conditions that are conducive to corruption*: the nature of the moral environment, absence of accountability mechanisms, and lack of transparency. Each of these general conditions has a number of specific forms, for example, the moral environment might be one in which there are great inequalities of power. In this chapter, we also consider a number of different socioeconomic contexts in which **corruption** might exist. Here we make use of two case studies, one drawn from Colombia during the time of Pablo Escobar, the other from the Enron scandal.

In Chapter 3, we consider a specific condition conducive to **corruption**, namely, *conflicts of interest*. We explore a variety of different conflicts of interest, for example, the Keating Five in the political arena, -and conflicts of interest in the media, the corporate sector, and clinical trials.

Chapter 4 concerns itself with addressing the question "What is wrong with **corruption**?" We distinguish between what is morally wrong with **corruption** per se, for example, it undermines a legitimate institutional process, and what might be wrong with the action at the core of a corrupt action, for example, telling a lie (that, say, undermines a judicial process). We also discuss deontological, teleological, and consequentialist arguments against different forms of **corruption** and do so in the context of some specific case

studies, for example, Watergate.

In Chapter 5, we identify a number of different *rationalizations* used to justify corrupt actions, and we analyze two of these in detail, namely rationalizations arising out of noble cause **corruption** (doing evil for the sake of good) and transcultural interaction. Case studies used include the "Dirty Harry" scenario in policing, and the Lockheed and Bhopal scandals.

The second half of the book comprises Chapters 6 through 10. In Chapter 6, our concern is with the locus of moral responsibility for combating **corruption**. In order to focus our discussion, we consider corporate **corruption** in organizational settings. We describe some of the more notable corporate scandals and periods of corporate **corruption**, and we provide a detailed analysis of the key concept of *collective moral responsibility*. Also, we apply this notion to the modern business corporation.

In Chapter 7, we examine institutional accountability systems in relation to **corruption**, and specifically anti-**corruption** systems. We provide discussions of reactive anti-**corruption** systems, as well as of preventive anticorruption systems. We argue for what we term *holistic anti-corruption systems*. Our discussion ranges over both the private and the public sector. One particular issue we look at is **corruption** control in the context of developments in public sector administration.

Chapter 8 concerns itself with a specific anti-**corruption** issue, namely, *whistleblowing*. We provide an analysis of whistleblowing, including an account of the relationship between whistleblowing and **corruption**. Also, we discuss some of the features of institutional systems for protecting whistler blowers and handling their complaints. Case studies used here include that of Daniel Ellsberg in the United States and Mal Colston in Australia.

In Chapters 9 and 10, we shift our attention to those who are corrupt or who are suspected of being corrupt.

Chapter 9 concerns itself with the *rights of suspects* in the context of anti-**corruption** systems, including **corruption** prevention, investigation of **corruption**, and prosecution for **corruption**. The particular rights that we examine in detail are the right to silence, the right to privacy, and the right not to be entrapped. Some of the case studies used here are the Starr investigation of Clinton and Lewinsky, and ABSCAM.

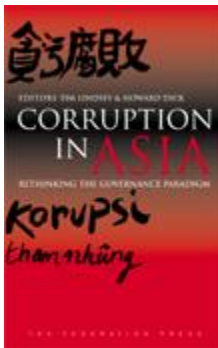
In Chapter 10, we examine the issue of **corruption** and punishment. We discuss the standard theoretical justifications for punishment, for example, retribution, deterrence, and rehabilitation. We offer a detailed argument in favor of a particular *restorative justice* model, but we emphasize that our model is pluralist in that it has retributive and deterrence dimensions, in addition to its purely restorative justice elements.

VI

Corruption in Asia

Rethinking the governance paradigm

Edited by [Tim Lindsey](#) and [Howard Dick](#)



Published by [Federation Press](#), distributed by [Willan Publishing](#).

Description

Multilateral and bilateral aid agencies now direct much of their East Asia activities to so-called 'governance' reform. Almost every major development project in the region must now be justified in these terms and will usually involve an element of legal institutional reform, anti-**corruption** initiatives or strengthening of civil society - and often a mix of all of these.

Most are, in fact, major exercises in social engineering. Aid agencies and major multilateral players like the IMF, the World Bank and the Asian Development Bank, are attempting not just to improve governance systems and combat **corruption** but, implicitly, to restructure entire national political systems and administrative structures. 'Conditionality' puts real weight behind these projects. If successful, they could transform the face of East Asia. Defining 'governance' and understanding '**corruption**' are therefore not minor issues of terminology.

However, a great deal of optimism is required to believe that social engineering for good governance will succeed in either Indonesia or Vietnam within the foreseeable future. In Indonesia, there is neither the political will nor the mechanism to act, since the legal system is itself utterly corrupted. Better laws have been passed, but they fail in implementation.

In Vietnam the problems are somewhat different, but the outcomes are similar.

Corruption is widely recognised to be a major political, social and economic issue - even by the Party itself - but few cases are ever tried. The bureaucracy (including the legal system) and the party are so complicit that reform is impossible.

These systemic problems point to the basic flaw in the good governance agenda and strategy. A politically powerful alliance of foreign and domestic interests is necessary. Foreign multilateral agencies, donors and NGOs are able to set the international policy agenda, but their domestic allies are politically weak. In the absence of rule of law, the basic institutions of these transitional societies remain largely as they were and there is, as yet, no viable alternative system in either Indonesia or Vietnam.

The argument of this book is that more might be achieved sooner by much better understanding of political, legal, commercial and social dynamics in Indonesia and Vietnam, not as they are meant to be but as they are. Multilateral agencies, donors, NGOs, business firms and scholars on the one hand; and local politicians, bureaucrats, business people, lawyers, journalists, academics, and NGOs on the other hand have much usefully to discuss. Only out of that dialogue, a dialogue between the world as it is and the world of ideals, can steady progress be made.

This book examines these problems initially in an abstract theoretical sense before testing the frameworks thus established through a series of case studies of Indonesia and Vietnam, two very different Asian states: one (Vietnam) still socialist but in difficult transition from command economy to a limited market structure; the other (Indonesia) embracing a market economy and an emerging democratic system; one with a Confucian legal and political tradition, the other not; one with a socialist, the other a civil law, legal system.

The book is divided into three parts. The first, 'Frameworks', establishes some theoretical approaches to the problem of **corruption** and governance (including a East European example). The second part looks at case studies from Indonesia; and the third part looks specifically at Vietnam. Relevant legislation and judicial decisions can be found in the table of cases and a detailed glossary and list of abbreviations will assist readers unfamiliar with the countries under examination.

[Review of 'Corruption in Asia'](#)

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Review of 'Corruption in Asia'

Corruption, collusion and nepotism: ... the problems [are] not confined to a single nation Now creditors, such as the World Bank and Asian Development Bank, are demanding better accountability and legal governance. ... the 11 senior legal, business and policy academics who collaborated on this volume take a dissenting view. ... [They see] that the governance push, like its law and democracy antecedent, is doomed because of its implicit pro-Western capitalist agenda and its failure to address the real issue - namely, that corruption has flourished because it delivers results. In this study, after examination of the underlying frameworks under consideration, focus falls on two countries - Indonesia and Vietnam . This is a significant, thought-provoking, perhaps even iconoclastic work ..."

The Australian, Wednesday 7 August 2002, p 35

Anti-corruption agencies have been set up to fight [corruption, collusion and nepotism]....

Multilateral agencies such as the IMF, the World Bank, the Asian Development Bank, Transparency International have also tried (to combat corruption). So why have all their attempts failed? Are the adversaries that strong? Are we going in the wrong direction? Is the legal framework inadequate? Is something lacking in the implementation? If we read this book, edited by Tim Lindsey and Howard Dick, we must admit that there is a mound of reasons why all these efforts have come to nothing, and how tightly immersed they are in our present culture and governmental system.

In this book, experts from legal, economic and social sciences backgrounds rethink corruption and focus on it from different angles. The book presents not only methods to eradicate corruption but also precedes it with an observation of the conditions that make corruption hard to distinguish from other cultural aspects.

... More books like this must be written. More importantly, however, this book is a must-read for leaders and experts of multilateral agencies seeking to provide assistance.

Tempo Interaktif (Indonesia), 9 August 2002

... provide[s] excellent theoretical and empirical material for rethinking the governance paradigm and, by extension, the role of international financial and development institutions. It is a timely contribution to a debate that must be had.

Bulletin of Indonesian Economic Studies, Vol 38 No 2, 2002

VII

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DRAFT ONLY – NOT TO BE QUOTED**Corruption and Trans-Cultural Interaction**

Prof Seumas Miller

1

Charles Sturt University and The Australian National University

This paper is concerned with **corruption** in trans-cultural contexts. My concern is only with some of the philosophical or ethico-theoretical issues raised by **corruption** in trans-cultural interaction. In the first section I provide a theoretical, or quasi-theoretical, account of **corruption**. In the second section I focus on trans-cultural **corruption** in particular.

Corruption

2

Varieties of **Corruption**

The causes and effects of **corruption**, and how to combat **corruption**, are issues that are increasingly on the national and international agendas of politicians and other policymakers. For example, the World Bank has relatively recently come around to the view that economic development is closely linked to **corruption** reduction (World Bank 1997). By contrast, the *concept* of **corruption** has not received much attention. Existing conceptual work on **corruption** consists in little more than the presentation of brief definitions of **corruption** as a preliminary to extended accounts of the causes and effects of **corruption** and the ways to combat it. Moreover, most of these definitions of **corruption** are unsatisfactory in fairly obvious ways.

Consider one of the most popular of these definitions, namely, ‘Corruption is the abuse of power by a public official for private gain.’ 3 (Nye, 1967: 417).

No doubt the abuse of public offices for private gain is paradigmatic of **corruption**. But when a bettor bribes a boxer to ‘throw’ a fight this is **corruption** for private gain, but it need not involve any public office holder; the roles of boxer and bettor are usually not public offices. One response to this is to distinguish public **corruption** from private **corruption**, and to argue that the above definition is a definition only of public **corruption**. But if ordinary citizens lie when they give testimony in court, this is **corruption**; it is **corruption** of the criminal justice system. However, it does not involve abuse of a public office by a public official. And when police fabricate evidence out of a misplaced sense of justice, this is **corruption** of a public office, but not for private gain. In the light of the failure of such analytical-style definitions it is tempting to try to sidestep the problem of providing a theoretical account of the concept of **corruption** by simply identifying **corruption** with specific legal and/or moral offences.

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This section is taken from my paper “The Concept of **Corruption**” *Stanford Encyclopedia of Philosophy* (forthcoming). An earlier version appeared in Seumas Miller et al (*Corruption and Anti-Corruption*, 2005: Chapter 1).

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For one of the most influential statements of the abuse of public office for private gain definitions see

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However, attempts to identify **corruption** with specific legal/moral offences are unlikely to succeed. Perhaps the most plausible candidate is bribery; bribery is regarded by some as the quintessential form of **corruption** (Noonan 1984). But what of nepotism? Surely it is also a paradigmatic form of **corruption**, and one that is conceptually distinct from bribery. The person who accepts a bribe is understood as being required to provide a benefit to the briber, otherwise it is not a bribe; but the person who is the beneficiary of an act of nepotism is not necessarily understood as being required to return the favour. In fact, **corruption** is exemplified by a very wide and diverse array of phenomena of which bribery is only one kind, and nepotism another. **Paradigm** cases of **corruption** include the following. The commissioner of taxation channels public monies into his personal bank account, thereby corrupting the public financial system. A political party secures a majority vote by arranging for ballot boxes to be stuffed with false voting papers, thereby corrupting the electoral process. A police officer fabricates evidence in order to secure convictions, thereby corrupting the judicial process. A number of doctors close ranks and refuse to testify against a colleague who they know has been negligent in relation to an unsuccessful surgical operation leading to loss of life; institutional accountability procedures are thereby undermined. A sports trainer provides the athletes he trains with banned substances in order to enhance their performance, thereby subverting the institutional rules laid down to ensure fair competition. It is self-evident that none of these corrupt actions are instances of bribery. Further, it is far from obvious that the way forward at this point is simply to add a few additional offences to the initial 'list' consisting of the single offence of bribery. Candidates for being added to the list of offences would include nepotism, police fabricating evidence, cheating in sport by using drugs, fraudulent use of travel funds by politicians, and so on. However, there is bound to be disagreement in relation to any such list. For example, law enforcement practitioners often distinguish between fraud on the one hand, and **corruption** on the other. Most important, any such list needs to be justified by recourse to some principle or principles. Ultimately, naming a set of offences that might be regarded as instances of **corruption** does not obviate the need for a theoretical, or quasi-theoretical, account of the concept of **corruption**. As it happens, there is at least one further salient strategy for demarcating the boundaries of corrupt acts. Implicit in much of the literature on **corruption** is the view that **corruption** is essentially a legal offence, and essentially a legal offence in the economic sphere.

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Accordingly, one could seek to identify **corruption** with economic crimes, such as bribery, fraud, and insider trading. To some extent this kind of view reflects the dominance of economically focused material in the corpus of academic literature on **corruption**. It also reflects the preponderance of proposed economic solutions to the problem of **corruption**. After all, if **corruption** is essentially an economic

phenomenon, is it not plausible that the remedies for **corruption** will be economic ones?

⁵ But many acts of **corruption** are not unlawful. That **paradigm** of **corruption**, bribery, is a case in point. Prior to 1977 it was not unlawful for US companies to offer bribes to

⁴ This is implicit in much of Susan Rose-Ackerman's influential work on **corruption**. See Rose-Ackerman (1999).

⁵ See Rose-Ackerman (1999) for this kind of view. See Barry Hindess (2001) for a contrary view.

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³ secure foreign contracts; indeed, elsewhere such bribery was not unlawful until much later.

⁶ So **corruption** is not necessarily unlawful. This is because **corruption** is not at bottom simply a matter of law; rather it is fundamentally a matter of morality. *Secondly*, **corruption** is not necessarily economic in character. An academic who plagiarises the work of others is not committing an economic crime or misdemeanour; and she might be committing plagiarism simply in order to increase her academic status. There might not be any financial benefit sought or gained. Academics are more strongly motivated by status, rather than by wealth. A police officer who fabricates evidence against a person he believes to be guilty of paedophilia is not committing an economic crime; and he might do so because he believes the accused to be guilty, and does not want him to go unpunished. Economics is not necessarily involved as an element of the officer's crime or as a motivation. When police do wrong they are often motivated by a misplaced sense of justice, rather than by financial reward. Again, a person in authority motivated by sadistic pleasure who abuses her power by meting out cruel and unjust treatment to those subject to her authority, is not engaging in an economic crime; and she is not motivated by economic considerations. Many of those who occupy positions of authority are motivated by a desire to exercise power for its own sake, rather than by a desire for financial reward.

Economic **corruption** is an important form of **corruption**; however, it is not the only form of **corruption**. There are non-economic forms of **corruption**, including many types of police **corruption**, judicial **corruption**, political **corruption**, academic **corruption**, and so on. Indeed, there are at least as many forms of **corruption** as there are human institutions that might become corrupted. Further, economic gain is not the only motivation for **corruption**. There are a variety of different kinds of attractions that motivate **corruption**. These include status, power, addiction to drugs or gambling, and sexual gratification, as well as economic gain.

We can conclude that the various currently influential definitions of **corruption**, and the recent attempts to circumscribe **corruption** by listing paradigmatic offences, have failed. They failed in large part because the class of corrupt actions comprises an extremely diverse array of types of moral and legal offences.

That said, *some* progress has been made. At the very least, we have identified **corruption** as fundamentally a moral, as opposed to legal, phenomenon. Acts can be corrupt even though they are, and even ought to be, legal. Moreover, it is evident that not all acts of immorality are acts of **corruption**; **corruption** is only one species of immorality.

Consider an otherwise gentle husband who in a fit of anger strikes his adulterous wife and accidentally kills her. The husband has committed an act that is morally wrong; he has committed murder, or perhaps culpable homicide, or at least manslaughter. But his action is not necessarily an act of **corruption**. Obviously the person who is killed (the wife) is not corrupted in the process of being killed. Moreover, the act of killing does not necessarily corrupt the perpetrator (the husband). Perhaps the person who commits a wrongful killing (the husband) does so just once and in mitigating circumstances, and also suffers remorse. Revulsion at his act of killing might cause such a person to embark

⁶ See the Foreign Corrupt Practices Act of 1977, Public Law 95-213 (5305), December 19, 1977, United States Code 78a, Section 103. See also Organisation for Economic Co-operation and Development (OECD) Convention Against Bribery of Foreign Public Officials in International Business Transactions of 15

th February 1999.

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thereafter on a life of moral rectitude. If so, the person has not been corrupted as a result of his wrongful act.

An important distinction in this regard, is the distinction between human rights violations and **corruption**. Genocide is a profound moral wrong; but it is not **corruption**. This is not to say that there is not an important relationship between human rights violations and **corruption**; on the contrary, there is often a close and mutually reinforcing nexus between them (Pearson 2001). Consider the endemic **corruption** and large-scale human rights abuse that have taken place in authoritarian regimes, such as that of Idi Amin in Uganda and that of Suharto in Indonesia. And there is increasing empirical evidence of an admittedly complex causal connection between **corruption** and the infringement of subsistence rights; there is evidence, that is, of a causal relation between **corruption** and poverty. Indeed, some human rights violations are also acts of **corruption**. For example, wrongfully and unlawfully incarcerating one's political opponent is a human rights violation; but it is also corrupting the political and judicial processes.

Thus far, examples of different types of corrupt action have been presented, and corrupt actions have been distinguished from some other types of immoral action. However, the class of corrupt actions has not been adequately demarcated within the more general class of immoral actions. To do so, a definition of corrupt actions is needed, and specifically of actions which corrupt institutions (Miller 2001, ch. 6). To this task we now turn.

Definition of Institutional Corruption

My definition of institutional **corruption** essentially consists in three necessary conditions for being a corrupt institutional action. I will state these as theses. The first thesis is what I will term the *Personal Character of Corruption*. It states that persons are relevantly involved in all **corruption**, and in institutional **corruption** in particular, either as corruptors, or as the corrupted, or as both.

Let us assume that there are at least two general – but not mutually exclusive - forms of **corruption**, namely institutional **corruption** and non-institutional personal **corruption**. Non-institutional personal **corruption** is **corruption** of persons outside institutional settings. Such **corruption** pertains to the moral character of persons, and consists in the despoiling of their moral character. If an action has a corrupting effect on a person's character, it will typically be corrosive of one or more of a person's virtues. These virtues might be virtues that attach to the person qua human being, e.g. the virtues of compassion and fairness in one's dealings with other human beings. Alternatively – or in some cases, additionally - these virtues might attach to persons qua occupants of specific institutional roles, e.g. impartiality in a judge or objectivity in a journalist. Our concern here is only with institutional **corruption**. Nevertheless, it is plausible that **corruption** in general, including institutional **corruption**, typically involves the despoiling of the moral character of persons and in particular, in the case of institutional **corruption**, the despoiling of the moral character of institutional role occupants qua institutional role occupants. To this extent institutional **corruption** involves personal **corruption**.

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Note that personal **corruption**, i.e., being corrupted, is not the same thing as performing a corrupt action, i.e., being a corruptor. Typically, corruptors are corrupted, but this is not necessarily the case. Note also that corruptors are not simply persons who perform actions that corrupt, they are also morally responsible for this **corruption**.

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The first hypothesis enables us to distinguish cases of institutional **corruption** from cases of institutional corrosion. Acts of institutional damage that are not performed by a corruptor and also do not corrupt persons are better characterised as acts of institutional *corrosion*. Consider, for example, funding decisions that gradually reduce public monies allocated to the court system in some large jurisdiction. As a consequence, magistrates might be progressively less well trained and there might be fewer and fewer of them to deal with the gradually increasing workload of cases. This may well lead to a diminution over decades in the quality of the adjudications of these magistrates, and so the judicial processes are to an extent undermined. However, given the size of the jurisdiction and the incremental nature of these changes, neither the magistrates, nor anyone else, might be aware of this process of judicial corrosion, or even able to become aware of it (given heavy workloads, absence of statistical information, etc.). It seems that these judges have not undergone a process of personal **corruption**, and this is the reason we are disinclined to view this situation as one of institutional **corruption**.

Let us now reiterate the hypothesis of the *Personal Character of Corruption*. The hypothesis is that, to be corrupt, an action must involve a corruptor who performs the action or a person who is corrupted by it. Of course, corruptor and corrupted need not necessarily be the same person, and indeed there need not be both a corruptor and a corrupted; all that is required is that there be a corruptor or a corrupted person. If a serviceable definition of the concept of a corrupt action is to be found – and specifically, one that does not collapse into the more general notion of an immoral action – then attention needs to be focussed on the moral *effects* that some actions have on persons and institutions. An action is corrupt only if it corrupts something or someone – so **corruption** is not only a moral concept, but also a *causal* or quasi-causal concept.

⁸ That is, an action is corrupt by virtue of having a *corrupting effect* on a person's moral character or on an institutional process or purpose. If an action has a corrupting effect on an institution, undermining institutional processes or purposes, then typically – but not necessarily - it has a corrupting effect also on persons qua role occupants in the affected institutions.

In relation to the concept of *institutional corruption*, the second hypothesis states (as a necessary condition) that an action is corrupt only if it has the effect of undermining an institutional process or of subverting an institutional purpose or of despoiling the character of some role occupant qua role occupant. This hypothesis asserts the *Causal Character of Corruption*.

⁷ In fact there is an important exception to this that I discuss elsewhere. Note also that the corrupted are not necessarily morally responsible for being corrupted. I discuss these issues in detail in Miller "Concept of **Corruption**" op.cit.

⁸ This kind of account has ancient origins, e.g., in Aristotle. See Barry Hindess (2001).

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In this regard, note that an infringement of a specific law or institutional rule does not in and of itself constitute an act of institutional **corruption**. In order to do so, any such infringement needs to have an institutional *effect*, e.g., to defeat the institutional purpose of the rule, to subvert the institutional process governed by the rule, or to contribute to the despoiling of the moral character of the role occupant qua role occupant. In short, we need to distinguish between the offence considered in itself and the institutional effect of committing that offence. Considered in itself the offence of, say, lying is an infringement of a law, rule, and/or a moral principle. However, the offence is only an act of institutional **corruption** if it has some effect, e.g., it is performed in a courtroom setting and thereby subverts the judicial process.

A further point to be made here is that an act that has a corrupting effect might not be a moral offence considered in itself. For example, a corporate officer who provides information that will enable an investor to buy shares cheaply before they rise in value might not be a moral offence considered in itself. However, in this corporate setting it might constitute insider trading, and do institutional damage; as such, it may well be an act of **corruption**.

The third and final thesis to be discussed concerns non-institutional agents who culpably perform acts that undermine legitimate institutional processes or purposes. My thesis here is that institutional **corruption** involves *institutional actors* who corrupt or are corrupted. I will refer to this as the thesis – in relation to institutional **corruption** - that *Corruptors or Corrupted are Institutional Actors*.

As concluded above, **corruption**, even if it involves the abuse of public office, is not necessarily pursued for private gain. Dennis Thompson also makes this point in relation to political **corruption** (1995: 29). However, Thompson also holds that political **corruption** at least, necessarily involves abuse of public office. We have canvassed arguments that contra this view acts of **corruption**, including acts of political **corruption**, might be actions performed by persons who do not hold public office, e.g. citizens who do not hold a public office, as opposed to, say, politicians. However, we now need to invoke a distinction between persons who hold a public office and persons who have an institutional role. Citizens are not necessarily holders of public offices, but they do have an institutional role qua citizens, e.g., as voters.

To focus this discussion, consider a fundamentalist Muslim from Saudi Arabia who is opposed to democracy and who breaks into an electoral office in an impoverished African state and falsifies the electoral roll in order to facilitate the election of an extremist right wing candidate who is likely, if elected, to polarise the already deeply divided community and thereby undermine the fledgling democracy. Let us further assume that the fundamentalist does so without the knowledge of the candidate, or indeed of anyone else. We are disinclined to view this as a case of **corruption** for two reasons: *Firstly*, the offender is not an occupant of a relevant institutional role; he is not a citizen or even a resident of the state in question. Secondly, while the offender undermined a legitimate institutional process, viz. the electoral process, he did not corrupt or undermine the character of the occupant of an institutional role.

Accordingly, we can conclude that acts of institutional **corruption** necessarily involve a corruptor who performs the corrupt action *qua occupant of an institutional role* and/or someone who is corrupted *qua occupant of an institutional role*.

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This enables us to distinguish not only acts of **corruption** from acts of corrosion, but also from moral offences that undermine institutions – specifically, institutional processes and purposes – but which are, nevertheless, not acts of **corruption**. The latter are not acts of **corruption** because no person in their capacity as institutional role occupant either performs an act of **corruption** or suffers a diminution in their character. There are many legal and moral offences in this latter category. Consider individuals not employed by, or otherwise institutionally connected to, a large corporation who steal from or defraud the corporation. These offences may undermine the institutional processes and purposes of the corporation, but given the non-involvement of any officer, manager or employee of the corporation, these acts are not acts of **corruption**. Let me now summarise in definitional form the account of **corruption** elaborated above. An act x performed by an agent A is an act of institutional **corruption** if and only if:

(1) x has an effect, Ep, of undermining, or contributing to the undermining of, some institutional process and/or purpose of some institution, I, and/or an effect, Ec, of contributing to the despoiling of the moral character of some role occupant of I, agent B, qua role occupant of I;

(2) At least one of (a) or (b) is true:

(a) A is a role occupant of I, and in performing x, A intended or foresaw that Ep and/or Ec, or A should have foreseen that Ep and/or Ec (A is a corruptor);

(b) There is a role occupant of I, agent B, and B could have avoided Ec, if B had chosen to do so (B is a corrupted).

Condition (1) expresses thesis two, the Causal Character of **Corruption**. Condition (2) expresses thesis two, the Personal Character of **Corruption**. Thesis three is expressed in that part of (2)(a) and of (2)(b) that restricts A and B to institutional role occupants.

Let us now turn to the specific phenomenon of trans-cultural **corruption**. We begin with an account of trans-cultural interaction.

Trans-cultural Corruption

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Trans-cultural Interaction

I will stipulate that trans-cultural interaction is interaction between members of different social groups. So what is a social group? (Inevitably, I am offering somewhat stipulative, and very rough, characterisations of social groups etc.)

A social group consists in a set of individual persons who are (at least) the current participants in some common structure(s) of conventions (including at least a structure of linguistic conventions). Conventions are essentially facilitative and instrumental social forms, whereas social norms embody the moral principles and values of a social group. This is why social groups by definition also involve a common structure of *social norms*.

Such a structure of social norms is necessarily embedded in the fundamental institutions of the social group in question (Miller, 2001 Chapter 6) Hence, there is a further

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An earlier version of this material appeared in Miller et al. **Corruption and Anti-Corruption** (2005, Chapter 5)

condition for being a social group, viz. a common structure of fundamental institutions, including at least linguistic, kinship, legal (or quasi-legal) and economic ones.

Most English and German people speak English and therefore share a structure of conventions viz. the conventions of the English language. They also share a common structure of social norms, including those embodied in the criminal laws of both countries. Further, they share a similar set of structures of fundamental institutions, including those of the modern nuclear family, capitalism, and the liberal democratic state. But the Germans and the English do not constitute a single social group. One reason for this is the lack of a common inter-generational history. The history of the English certainly intersects with that of the Germans, but they are nevertheless relatively distinct. Let us then add the following condition for being a social group: a common stretch of inter-generational history.

A final point about social groups. In the contemporary world many social groups are organised into nation-states. But many, perhaps most, nation states have multiple social groups, or at least hybrids of social groups. At any rate, social groups and nation states are conceptually distinct, and the membership of a given social group is not necessarily identical with the membership of the nation state to which many, or indeed all, of the members of that social group belong.

Trans-cultural interaction is, and always has been, a pervasive feature of social groups. Throughout the course of history, many, if not most, social groups have interacted with some other social groups communicatively, economically, sexually, and so on. I want to distinguish between two such forms of trans-cultural interaction.

Since communicative, economic etc. interactions - at least to the extent that they are voluntary - are to some extent structured by conventions, so trans-cultural communicative, economic etc. interactions will be structured by conventions, conventions to which the members of both interacting social groups will be party.

Dialogue between members of different social groups, societies and cultures presupposes a common language. This remains true notwithstanding problems of differences in interpretation. For example, French used to be the international language and now English is. Non-institutionalised, but ongoing, trade between societies presupposes a commonly adhered to set of conventions, whether they be conventions governing barter transactions or one's governing some form of monetary exchange. However, such merely convention-governed forms of trans-cultural interaction need to be distinguished from trans-cultural interaction that take place in the context of trans-cultural *institutions*. Institutions consist in part in conventions, but they involve much more; they involve social norms, including ones that in part define institutional roles and institutional processes. Moreover, normatively speaking, institutions serve purposes (Miller, 2005 Chapter 6).

Examples of trans-cultural institutions include the current system of international law, the international financial system(s), and multi-national entities such as the United Nations and multi-national corporations. The class of trans-cultural institutions includes some institutions that are not themselves necessarily *trans-national* institutions. For example, western-style political or legal institutions grafted onto a tribe-based society and/or a society comprised of very diverse social groups. The political and legal institutions of the contemporary South African nation-state is a case in point.

Trans-cultural institutions contain an inherent tension. On the one hand, they consist of institutional role occupants from different social groups, and/or role occupants who interact with external persons who are members of different social groups. On the other hand, these trans-cultural institutions straddle different social groups and provide an institutional framework for trans-cultural interaction between members of these different social groups. The tension, or at least potential tension, arises because the role occupants or clients or consumers etc. of these trans-cultural institutions are also role occupants of their local, i.e., non-trans-cultural, institutions, and there is no guarantee

that the respective institutional, including moral requirements and attitudes, of trans-cultural and local institutions will mesh, let alone be identical with one another. Equipped with these admittedly rough characterisations of social groups, trans-cultural institutions and two types of trans-cultural interaction (convention governed and institution governed), let us now turn to trans-cultural **corruption**.

Trans-cultural **Corruption**

Trans-cultural **corruption** is institutional **corruption** that occurs as a consequence of actions performed in the course of trans-cultural interaction. The institutions thus corrupted could themselves be trans-cultural institutions or they could be local institutions (or they could be both).

As with any form of institutional **corruption**, trans-cultural **corruption** conforms to our three theses: Personal Character of **Corruption**; Causal Character of **Corruption**, and; Corruptors or Corrupted are Institutional Actors.

In addition, we need to invoke a distinction between subjectively valid social norms and objectively valid moral norms. A social norm is a type of action or inaction which members of some social group *believe* to be morally right. However they are not necessarily objectively valid. An objective moral norm is a type of action or inaction which is, as a matter of objective truth, morally right.

Likewise, there is a distinction between subjectively in/valid acts of **corruption** and objectively in/valid acts of **corruption**. The latter, but not necessarily the former, actually corrupt some institution or person.

It also needs to be noted that the concept of an objectively corrupt action is the concept of an action which is objectively corrupt relative to a person and relative to a set of circumstances. Lying can be morally right or morally wrong, depending on the circumstances. Moreover, lying in one institutional context might be institutionally damaging but not in another. So a police officer who tells a lie is performing a corrupt act if tells the lie in a court of law, but not when functioning as an undercover operative. This reflects the causal character of **corruption**. Same moral or legal offence, different institutional effect.

On my account of institutional **corruption**, a corrupt act is corrupt by virtue of corrupting some institution. And I have already noted that the **corruption** could be of the trans-cultural or of the local institution (or both). Here it is important to distinguish between **corruption** and corrosion. The actions of the role occupants of powerful, trans-cultural institutions might have a corrosive effect on traditional local institutions

without **corruption** necessarily taking place.

Moreover, it cannot be assumed that the only institutions that can be corrupted are the trans-cultural institutions that have in many cases been grafted onto traditional social institutions of a very different kind. Nor can it be assumed that an act which corrupts a trans-cultural institution will necessarily also be one that corrupts a local institution. When compliance with the requirements of the trans-cultural institution has a corrupting effect on the local institution (or vice-versa) then a judgment may need to be made in

respect of the moral weight to be attached to the adjustment, transformation or even survival of one or other (or both) of these two institutions in conflict. Compliance with the dictates and processes of a local and traditional system of justice based on the village panchayat in India might be inconsistent with the requirements of a western-style national judicial system of the sort now established in India. Again, compliance with the processes, roles and purposes of a multi-national may collide with the implicit and/or explicit requirements or needs of local economic institutions. As a consequence, the local economic institutions may simply be overpowered and collapse or suffer substantial corrosion.

We need now to distinguish various species of corrupt actions and activities in respect of their seriousness, extent and degree of collaboration. Firstly, there is *individual corruption*. This essentially involves individuals working on their own. For example, a motorist might pass money to a traffic police officer to avoid a fine for speeding. Secondly, there is *organised corruption* in the sense of corrupt activities carried out by an organisation which organisation exists for the purpose of undertaking that corrupt activity. For example, a criminal organisation such as the Mafia, or the Chinese Triads or the Yakuza might have a concerted and ongoing practice of bribing politicians to ensure that their drug trafficking activities were not unduly interfered with. Third, there is *organisational corruption*. This is pervasive and interdependent *corruption* within an organisation. However, the organisation does not exist for the purposes of engaging in corrupt activities.

Further, there is *systemic corruption*, and there is also *grand corruption*. The use of the term 'systemic' indicates that the *corruption* is pervasive and interconnected across many organisations and institutions. Systemic *corruption* consists of the erosion of social norms, and as such is widely dispersed across organisations, institutions, social groups and societies.

Grand *corruption* involves large-scale *corruption* of a very serious kind, and it exists at the highest levels of one or more fundamental institutions.

Trans-cultural institutional corruption can take any of the above forms. It can be individual, organised, organisational, systemic and/or grand in character. Obviously, as with non trans-cultural *corruption*, trans-cultural *corruption* constitutes a larger problem

if it is, say, grand *corruption* than if it is individual *corruption*.

More important for my purposes here, by virtue of a number of features of trans-cultural interaction, trans-cultural *corruption* is especially problematic, whether it be individual, organised, systemic or grand *corruption* that is in question. This is in part because if

offers a number of attractive rationalisations and socio-psychological drivers not necessarily available to those engaging in non trans-cultural *corruption*.

Conditions Conducive to Trans-cultural **Corruption**

The proposition to be advanced in this final section is that in trans-cultural contexts, including trans-cultural *institutional* contexts, there are often a variety of conditions that

are conducive to **corruption**; conditions that are either typically not found outside these contexts, or conditions found in other contexts but conditions, nevertheless, that are more conducive to **corruption** in trans-cultural contexts than in non trans-cultural ones. Commitment to social norms, including those in part definitive of institutional roles, processes and purposes - and the feelings of shame generated by non-conformity - often weakens when dealing with members of another society. 'What do I care what they think?' ('I only care what *we* think.') Correspondingly, members of the other society are going to be less concerned to express disapproval of one's actions. 'What do they care what I do?' In short, there is more likely to be an 'us-them' mentality, a lack of trust, and a willingness to bend or break moral norms in the service of self-interest.

Further, social norms are sometimes norms only for members of a given social group, or for a given set of institutional actors in a given social group, but not for other person not of that group or institution. Naturally, many social norms are near enough to being universal moral norms. But some are not. For example, social norms of honour can differ greatly from one society or culture to another. On the other hand, there may be a substantial difference with respect to the extent to which compliance with the same social norm is expected by members of one social group by comparison with members of another social group. For example, a level of deception is typically involved in business dealings - a seller tries to make out the goods are superior than they might in fact be, the buyer that he or she is less interested than is actually the case, and so on. But now an issue can arise concerning the nature and degree of deception that is acceptable in given trans-cultural, including trans-institutional, contexts. Not being bound by one's initial word might be morally acceptable to a Japanese business person, but morally unacceptable to his Australian counterpart. What is an Australian business person to do when dealing with the Japanese in Japan? For him/her to 'do as the Romans do when in Rome' might well be against his/her conscience, because against his/her social norms. It can be viewed as corrupt, and thus as corrupting. On the other hand, to refuse to accept the social norms constitutive of the role occupants of some social group may be to court disaster - one may as well have stayed home.

Differences in institutional frameworks, as opposed to difference of degree in relation to specific moral norms, raise more profound questions. Consider different institutions of property rights. Individual property rights in relation to intellectual goods - including copyright - might have a certain structure and stringency in the Anglo-Saxon world, but not in China. In China intellectual property might be regarded as essentially a socially owned good. If so, this might partly explain recent disputes between the Chinese and US governments. But in that case, is a Chinese person copying material 'owned' by a US company really doing something morally wrong? More important, given our focus on **corruption**, Is the Chinese business person who copies and sells material 'owned' by a US company engaged in a corrupt practice? Certainly, he or she (jointly with others) might be undermining the institution of private ownership of intellectual property. However, perhaps the Chinese business person ought not to be regarded as an

institutional actor in this setting – perhaps he or she does not really belong to *that* economic institution. If so, according to thesis three, the action is not one of **corruption**. On the other hand, arguably the Chinese business person is a role occupant of the trans-cultural economic system and, therefore, his/her action ought to be regarded as **corruption**.

The copyright issue also involves a background question as to whether or not the trans-cultural institution in question ought to be preferred to the local one or, if there is no local competing institution, ought to be the preferred trans-cultural institution.

And there is this further point arising from the copyright issue. Acts of **corruption** – and certainly acts of corrosion – are not necessarily, all things considered, morally unacceptable. Perhaps the Chinese business person is performing a corrupt action but it is, nevertheless, morally defensible to do so. If you think not, then let us change the example. What if the goods in question were generic drugs produced cheaply in India and sold cheaply to impoverished African states in contravention of India's legal requirements?

Issues like this one, indicate the importance of implicit or explicit 'agreement' in relation to moral disputes and in relation to the resolution of institutional incompatibility and conflict. When social norms, including those in part definitive institutions, clash it might be necessary to redesign trans-cultural institutions in ways that are sensitive to local institutions. Such redesign might give rise not only to new institutional forms, but also to new or adjusted social norms. At any rate, the general point is that the real or apparent differences in conventions, social norms and institutional roles and processes can give rise to a greater or lesser degree of collective moral conflict and collective moral confusion in trans-cultural interaction. And moral conflict (in this sense) and moral confusion are conditions that are conducive to **corruption**.

There are typically, or at least often, jurisdictional problems in trans-cultural interaction, including in relation to legal accountability. Trans-cultural interactions of the corrupt kind are often trans-national and therefore - in the absence of special agreements - trans-jurisdictional. (Extradition agreements are one attempt to deal with this kind of problem.) Pornography placed on the World Wide Web, or beamed by satellite emanating from the US, but accessible by someone in Malaysia creates jurisdictional problems. Pornography is legal in the US and illegal in Muslim Malaysia; moreover, arguably pornography ought to be illegal in Malaysia, but not the US, because it corrupts (say) Islamic religious institutions. (This illustrates the possibility that there can be a corrupted (the Islamic Malaysian porn consumers) without a corruptor (perhaps the US purveyors of porn are blithely unaware of the effects their material is having on Islamic attitudes and practices.) And law enforcement may only be effective if it is the senders who are subject to sanctions. But in that case, should the US legislate against international communication of pornography when it does not legislate against domestically distributed pornography? And if it should, who should be the one to make that decision? The USA? Why not an international body? Such jurisdictional problems provide loopholes for **corruption** – in this instance the **corruption** of a Malaysian institution.

Laws differ from one society to another. Health and safety regulations in industry might be stricter in an affluent society. This might be because health and safety equipment,

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pollution control, and/or the training of personnel are expensive. Again, minimum wages are higher in affluent societies than in poorer ones. Should multinationals pay the same wages from one country to the next? Should they insist on the highest health and safety standards, including in relation to personnel, from one country to the next? This is partly a question of the institutional effect of these decisions; paying higher wages, for example, might create perverse incentives that distort or undermine local institutions. On the other hand, low wages and less strict health and safety regulations might simply be reflective of lopsided power relationships and, as such, generate institutional problems.

And there are other considerations. Surely one is under an obligation to obey the reasonable laws of one's own society. But to what extent is one under an obligation to obey the laws of another country? As a visitor one is present in that country. However, these are not the grounds on which one has an obligation to obey the laws of one's own country. And in any case, why does merely being in a place obligate one to fall in line with the laws it happens to have? But the point is, in the absence of a moral justification for obeying the laws of a foreign country, is there not increased scope for **corruption**? After all the purpose of many laws is to protect institutions, and the flouting of those laws may well have a corrupting effect on those institutions. Consider laws against giving lavish gifts to public officials. And even if there is some adequate moral justification for obeying the laws of another society, it might not feel like there is; there might not be adequate psychological compulsion. Once again, we have a species of moral confusion, a condition conducive to **corruption**.

The relationship between macro-entities such as nation states or societies is not the same as that between individuals in a society. Individuals in a society participate in a moral order embodied in a structure of institutions, and do so, at least potentially, as equals. Moreover, individuals within macro-entities such as societies, nations or organisations are driven along to some extent by the momentum - including the structure and goals - of that macro-entity. However, in these macro-entities there may be no moral order embodied in an institutional structure, or such institutions as exist may be too weak to be effective. In particular, the institution of international law may be too weak to function as an institution for enforcing morality in relation to the 'actions' of macro-organisations, (such as nation states and multinationals), in the international arena.

The relationships between individual human beings, especially ones who are part of the same macro-entity, only faintly resembles the relationship between macro-entities - between a huge and authoritarian entity such as China and, say, a small fledgling democracy such as Taiwan, or between Indonesia and East Timor or the USA and Grenada. Morality does not disappear in such lopsided power relationships. If anything, moral questions become more pressing because of the likelihood that overwhelming power will be abused. But there is, nevertheless, a real issue as to what to do when one finds oneself in such a lopsided power relationship. It is not as if the power

relationship can be overcome or even significantly reduced. But the point is that the potential for **corruption** is extraordinarily high. Perhaps the UK's handing over of Hong Kong to China was nothing other than an instance of **corruption** of the institution of democracy in Hong Kong, given a majority of the people living in Hong Kong did not wish to return to Chinese rule, and given the triadic power relationship that existed between China, the UK and Hong Kong.

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The general point to be made about **corruption** arising from interaction in the context of lop-sided power relationships is as follows. We have already identified a range of conditions conducive to **corruption** that obtain in trans-cultural interaction but not elsewhere. Trans-cultural interaction that takes place in the context of a lop-sided power relationship between the institutional actors is, therefore, likely to be even more conducive to **corruption** than in other contexts.

V

Rent Seeking/**Corruption** And Growth: A Simple Model

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Abstract

The goal of this paper is to propose a simple **paradigm** for understanding rent seeking and **corruption** in the growth context. We develop an endogenous growth model where entrepreneurs, as intermediate-good producers, may engage in rent-seeking activities. The latter are defined by the following properties: (i) their internal effect is positive; (ii) their external effect is negative; and (iii) they use real resources. Our formulation may be viewed as a parable for theft and fraud; organized crime; industrial espionage; lobbying and policy influence; misgovernance, institutional inefficiency, tax evasion, etc. The economy is shown to fall into a trap of high rent seeking/**corruption** and low growth. Agents' perceptions about the external effects of rent seeking, and the complementarity or substitutability of intermediate inputs, are crucial. Contrary to conventional wisdom,

higher returns to capital and more competition can be detrimental for welfare and growth, as they induce more rent seeking/**corruption**. Finally, our **paradigm** yields insights into the relationship of R&D, politicoeconomic equilibrium, income distribution, and growth, as well as the design of tax/growth policies in the presence of rent seeking/**corruption**.

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The Role of Business Ethics in Transition Economies: The Case of Corruption

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Abstract: This paper is an attempt to prove that the characteristic social arrangements concerning **corruption** in Transition societies are delimited in social spaces, which Durkheim called *social states of anomy*. Especially in the case of the Romanian transition, the **corruption** has destroyed the social cohesion and the "trust capital" in economy, the main cause being identified as the absence of moral individual values, thus affecting and delaying the modernization processes.

Many economists and sociologists argued that the malfunctioning of governmental institutions constitutes barriers for the process of attracting foreign investors and for the economic growth. North (1990) emphasized the importance of an efficient judicial system, for applying the laws and protection of economic contracts, considering it a defining factor for the economic performances of a system; the debates concerning the effects of **corruption** are particularly frequent, some authors such as Huntington (1968) suggested that this phenomenon is stimulated by modernization, through the change of fundamental values in society, by creating new sources of wealth and enrichment and through the changes occurred in the political system (1). The problem is, that as long as the benefits from **corruption** are perceived to be greater than the costs involved (consisting in penalties or years of jail), the resources will be embezzled from the official sphere of economy into the unofficial one.

The transition from a socialist economy toward a market oriented one, implies, besides other phenomena, a sophistication of **corruption**, together with tax avoidance, free-riders, black markets, thus lowering the economic performances and the trust capital of businessmen in the economic environment.(2)

As Hirschman emphasized: "No economic, social or political system is able to guarantee that the individuals, the companies or organizations will generally always act in a functional manner and that they will constantly have an efficient rational conduct, in the virtuous respect of law".(3)

Every society learns to survive with a certain degree of dysfunctional behaviors up to the point where these attitudes cause too high costs to be carried out by government or citizens. Some time before Hirschman, Veblen stated that human behaviors cannot be clearly outlined as belonging to the delinquency area or to the moral and legal one (4); otherwise stated, such behaviors will be framed within an *empty zone*, without relementation and normativity, giving birth a social state named by Durkheim *anomy*. Moreover, irrespective of time and place, the empty zones are interfering the logic of social and what becomes interesting to be studied for the transition societies is the proportion and how this empty zone is manifesting. The idea that it is going to be sustained, even though it is ordinary in the sociological thought, is that the anomy area is growing in moments of ample and fast social changes, constructing a social arrangement typical for **corruption**.

In this framework, the **corruption** can be approached using three different paradigms: the **paradigm** of social chaos or disorder, the normative **paradigm** and the labeling **paradigm**. The **paradigm** of social disorder or chaos allows us to frame **corruption** in the phenomenon

of desacralization and desinstitutionalization; characteristic for all the ex-socialist countries, the institutional and valuable destructuring used to depend on their degree of enclosure. Concepts such as: management, discipline, respect for social order have been left without meaning or content, because they were impregnated with ideological meanings; quite often, those persons who acted immorally or illegally in the communist times have declared themselves as anti-communist heroes, sustaining the idea of fighting against the old regime.

In this framework of deregularization and lack of sanctions from the point of view of the civil society and of the elite concerning the institutions and the game of power (excepting the press), the movement toward reform has been performed in The Romanian transition.

One of the characteristics of reform and transition in Romania, has been the connection between the economic and the political element, a relationship that has been brought about by the desire of primitive accumulation of capital; the transfer of politization within the institutions, practiced in the communist time, the inexistence of private capital on one side and the existence of a consistent state owned capital on the other side, had influenced the vast majority of political elite, to see in the political game an opportunity of enrichment.

The institutional arrangements are built in such a manner that they should stimulate the political leaders, who are at the same time creators and actors in the economic game, the legislative part, ceasing to express the general will. (5)

This situation generates certain economic problems:

- Voting laws that serve private or group interests;

- The allowance of subsidiary and sectorial facilities, therefore sums of money oriented toward certain economic fields;

- The procrastination of the payment of taxes for certain companies;

- The obligation imposed to certain public institutions or companies to buy special products, thus introducing the official customizing.

The main problem generated by public customizing is the destruction of the market economy functioning and the idea of free competition; to speak in Hirschman concepts, the consumer (public or private) does not have the options of voice or exit, being constrained to choose some goods or services deliberately, keeping up lowerquality products on the market.

The institutional arrangements have also generated financial engineerings, which consist of agreements to provide credits from the financial and banking organizations, loans advanced in the exchange of over evaluated guarantees. Moreover, “in all The East and European Countries, the previous economic and financial regimes left a legacy of bad enterprise debts that have continues to mount and have been stocked in the portfolios of the commercial banking system”. (6)

The solutions presented by Bruno, would be either the case of ex- Czechoslovakia when the Central Bank has left the commercial banks to handle themselves the situation or the other extreme, the case of Romania, when the practical pressures upon the banks (in order to continue the providing of surviving loans) had raised the moral hazard and had stimulated the practice of borrowing even if the companies knew that these sums of money will not be reimbursed. (7)

The postponement of the tax payment is significant for the uncollected budget revenues, thus influencing not only the incomes is financing the budget sector, but the whole financial system. Thus, very often the government is forced to raise the fiscal level, stimulating the growth of the black market. At the same time, there is a great amount of money, which is not circulating, an incentive for the arrears and financial blockages in the system; as Daianu is pointing out: “when the credibility of stabilization policy and of the financial discipline have a low level, the agents are tempted to produce arrears.”(8)

It is not relevant to connect the problem of arrears only to the variable of credibility in the system, but also to inefficiency, because the number of companies who should be sanctioned by the market is increasing. All these mentions are illustrating a questionable way of allocating resources, a process which is realized in any market economy by the stimulus of price and profit and where the

resources are embezzled from the sectors with low productivity toward the sectors with higher efficiency and profits. These institutional arrangements have defined the economic game using parameters that contradict its definition given by the market. As Buchanan and Vanberg pointed out: "Only a decentralized market structure of economic interaction can fully exploit the knowledge of localized circumstances required to allow a definition of the ultimate valuation that is placed on

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resource use. Only the market can allow persons the effective liberty for discovering the particular localized eccentricities that give form to value." (9) All the institutional arrangements have been envisaged to citizens as protecting their welfare, and consequently the privatization process was identified by them as bringing "pain and suffering"; only after the fraudulent management of capital, the individuals had understood that privatization is not a "public enemy" and we can identify here one of the sources of attack of decision-makers, against the social trust. We will call these types of practices "institutional **corruption**", defined as those acts who are permitted by the organizational design, by law system and legitimizing instances. After the collapse of the central planning system, the institutions have been weakened (they need new rules, functioning codes or new functions adapted to the actual economic and social system), and controlled using certain political means, becoming dependent on centers of external power and without a high degree of autonomy. (10) Shortly, along with unavoidable disfunctionings of the economic system (for instance, the disappearance of the unique plan) a crisis at the level of values personalities and elites has appeared. (11) The **corruption** is not expressing a deviation from a normal behavior, on the contrary, for the moment it has a functional character for the establishment of a self regulator system, which is not yet organized. (12) In that case when the efficiency of an action is the most important thing and the means to accomplish the purposes are perceived to be of secondary importance, the **corruption** become a rational choice, thus influencing the moral order in society. The persons who are promoting the institutional arrangements are seeing in success a long line of one-round games and they find themselves in the situation that they are not able to anticipate the perverse effects of their own actions.

The normative **paradigm** is pointing out the idea that such phenomena or practices that can be tight by **corruption** are brought to surface by a deterioration of social norms and of moral values in society, being regarded as models to be followed and as a success opportunity. We have to make a conceptual distinction here: we have **corruption** that exists at the level of society as a surviving process and **corruption** of elites as a control and power mean. Using the **corruption**, the groups are imposing a way of mutual control, simultaneously destroying the communication in society, the failure of the social control and low signals from the civil society.

The reciprocal support between institutions in the repressive systems is destroyed by their collapse, because they remain without foundations: no organizational culture, no professional or ethical codes in terms of their social function or civil society. What we would like to outline hereby is that in Romania, the appearance of **corruption** is stimulated by the absence of moral values and especially by the fact that the society or the individuals are not aware of this situation.

Moreover, the individuals are not aware of the practical value of morality applied in society or in connection with business issues, their absence impeding the n-round game play and eroding

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the trust capital that exists in this environment, because fifty years the individuals and the members of elite had not been challenged to take moral decisions in comparison to their effects.

Firstly, in totalitarian societies the moral judgements are suspended in a high degree and secondly, of perverse effects were taking care the state institutions, by the restrictions and constraints imposed; the mentioned case has been worsened by the culture of organizations in socialist time, these not having been endowed with professional or ethical codes to regulate private responsibilities, the distinction between private and public interests, rewards or sanctions, principle found in the society's organization itself.

The implementation of a professional ethics within institutions impose the following interventions:

- We have to set up the rules of the game, as simple as we can, in order for them to be also known and accepted by individuals;
- We have to define the procedures for applying these rules;
- We have to predict the possible offences, the manner to be judged and the consequent penalties or sanctions.

The difficulties that we might find in establishing the rules of the game consist, as we have already mentioned, in the merger between the creator and the actor of the game, therefore the actors setting up the rules in their favor, applying own preferences, values or ethical codes. We are pushed to the “veil of ignorance“ solution, from “The Theory of justice” of Rawls, which considers that persons involved in choosing the rules should not take into account their personal position or we could think of J. Jacques Rousseau’s the concept of “a superior intelligence “ of that could order these problems; we can find an application of the mentioned concepts by translating them in terms of independence or autonomy of controlling institutions, the existence of legitimating institutions for each profession. These instances exist, but their mechanism has been altered by **corruption** and lack of morality, the remaining possibilities concerning the development of civic culture and the recourse to international legitimizing institutions (for example, institutions which protect human rights).

The labeling **paradigm** catches the **corruption** as a form of mutual control and as a game of power, thus explaining the confusion generated by the different definitions provided by the groups that have ruled the Romanian society and moreover questioning fundamental economic mechanisms.

We would like to mention an interesting study carried out by World Bank in Romania, regarding the phenomena of **corruption**; its results are confirming our research opinions and the results of the focus-groups organized in Romania (13): the practices of **corruption** which widely influence the economic environment are the pressures upon the members of Parliament, in order to

support laws in the voting process, in favor of certain groups, the mistakes made by The Central Bank, private contributions in the political campaigns, influences upon the court decisions, bribing public authorities in order to avoid the taxes payment. The study has been carried out by interviewing three categories of persons: civil persons, public functionaries; most of the interviewed persons declared that the phenomenon of **corruption** has become a normal state of affairs in the Romanian society. It is very interesting that 44% from the official persons consider that all or almost all public functionaries are corrupted, therefore the persons involved in these structures recognize the amplitude of the phenomenon; another conclusion of this study would be the fact that the control institutions are the most incriminated, thus being questioned the morality of the legalizing instances, irrespective of the form of representation (official, civil or entrepreneurs).

Concerning the identification of the causes of **corruption**, the results point out the external factors:

- Personal (as the desire of private gains);
- Institutional factors such as legislative weaknesses or a low level in applying the existing laws;
- Social factors such as poverty or low average wages (and again the conclusions are the same as in our sociological research) and not the moral ones, strengthening our opinion that the individuals live a self-delusion process, a myopia toward the importance of moral values and their practical applications in economy and society.

Conclusions

- The society is very weak from the moral point of view, it allows **corruption** and the control instruments which should assist the respect for law;
- The decrease of trust capital at the level of the individual, in elites and state is reducing the social cohesion; as Montesqueieu stated, the rule is always based on certain principles or

sentiments and when the rule of system is run based on trust and this sentiment is eroded, the rules become unlikely to be credible;

- The institutional design allows **corruption**, a possible solution being the autonomy and independence of legitimizing institutions and the creation of professional elites;
- The process of **corruption** is attacking the civic capital, being very hard to impose hard rules, especially if we take into account the absence of moral values, the people will not find the stimulus to adhere to these principles.

Every **paradigm** can constitute a base for a distinct research taking into account the fact that **corruption** is not a well outlined, but a social and ample phenomenon, with institutional, political, economical or social characteristics; a study concerning **corruption** in Transition societies can delimit what are the particular, historical and temporal elements involved.

Appendix

We have used focus group, as a qualitative research method in order to obtain data, attitudes and opinions about the phenomenon of **corruption**.

Like all forms of interviews, focus groups are limited to verbal and self-reported data, but they involve group interaction and lot of information precisely limited to the topic of interest. In comparison to individual interviews, focus groups are far more efficient especially in terms of gathering equivalent amounts of data. In combination with other methods, focus group can provide preliminary research of specific topics and clarify findings from another method.

Usually, the number of focus groups organized is related to the repeatability of results, and the optimum number of participants should be between 10 and 12 people. We used only one focus group, with 11 businessmen, who are involved in different business areas: commerce, tourism, etc., both from private and public sector.

We tried to obtain information concerning the following problems:

- What corrupt practices are used in the economic environment by companies or financial institutions;
- In what fields had mainly appeared such corruptions cases and how they have been concluded;
- What are the factors that are influencing the existence, maintenance and perpetuation of **corruption**;
- The reason for the existence of the following paradox: the **corruption** is sanctioned by society, but it is still practiced under different forms;
- What are the " positive" and negative effects of **corruption**?
- We try to find some methods to quantify the phenomenon of **corruption**
- Can we control this phenomenon and if yes, how, with what institutions, rules or institutional arrangements;
- What solutions can be provided in order to control **corruption** in the framework of Transition Economies.

Notes

1. Samuel P. Huntington, *Political Order in Changing Societies*, Polirom Press, Bucharest 1968 (in Romanian), p.60-61
2. Regarding **corruption**, for the first time in Europe have been mentioned certain sanctions and penalties, in The Napoleonic Code (1810), in the context of not accomplishing the job tasks; the **corruption** can be viewed as a power abuse with the purpose of obtaining some material advantages or as practices that action like do ut des contract, closed in a confidential and illegal form. In Romania, the **corruption** practices are defined by the law no.78/may 2000, as follows:
 - the action of taking bribe
 - the action of giving bribe
 - the offence of obtaining unworthy outcomes
 - traffic of influence

3. Albert O.Hirschman, *Exit, voice and Loyalty*, Nemira Press, Bucharest 1999 (In Romanian), p.33
4. “ In certain cases, it is difficult, sometimes impossible, to say in front of the judges in the court, that it is all about a commercial ability worth praising or about a lack of honour which would deserve imprisonment.” (apud. Robert Merton, *Elements de Theorie et de methode Sociologique*, Paris, 1965, p.177).
5. An exemple could be the presence of the members of parliament in the Councils of administration of the big state enterprises and their opposition in changing this situation.

6. Olivier Blanchard, K.A. Froot and Jeffrey D. Sachs, *The Transition in Eastern Europe*, The University of Chicago Press, Chicago, 1994, p. 42. The financial mechanism is the following: when the process of advancing the credits is closed, most of these sums of money are not reimbursed to the bank and the financial institutions cannot dispose in a direct way by guarantees. Therefore, they have to go in court and to wait their decision, in the meantime the inflation generating the devaluation of money and losses in the balance-sheets of banks; losses in the general amount of budget revenues are caused also by undervalued cases of privatization.
7. Ibid., p.42
8. Daniel Daianu, *Transformation as a real process*, IRLI Press, Bucharest 1996 (In Romanian), p.248
9. James M. Buchanan and Viktor Vanberg, *The market as a creation process*, p.328
10. A case of institutional **corruption** could be the existence of “tick companies”, which are intermediary companies, with private capital, having as object of activity, the selling of products obtained by a state company; due to the fact that managers of the public enterprise are also shareholders in the private firms, they impede over the privatization of state owned companies, because they will have to cease their activity.
11. Banciu D.Radulescu, Sorin M., *The **corruption** and organized crime in Romania*, Continent Publishing Press, Bucharest 1994 (In Romanian), p.72
12. Ibid., p.79
13. According to the study made by world Bank, the **corruption** is affecting 15% from the budget revenues and the most corrupted institutions are: Customs, Justice, Parliament, the Health System, Police, Government. The main causes of **corruption** has been identified as: *Low wages and poverty, the desire of personal gains, legislation weaknesses, beauraucracy, the imperfections of judicial system.* The interviewed persons identified the following consequences of this phenomenon: *decrease of personal welfare, the increasing difference of wealth between the social stratum, the moral decline in society, loosing the interest from the foreign investors etc.* The provided solutions consist of much more transparency in the public life, the repudiance of interests conflicts, a transparent process in financing the political parties, reform of institutions in order to prevent **corruption**.

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Trust, Honesty, and Corruption: Theories and Survey Evidence from Post-Socialist Societies Toward a Research Agenda for a Project of the Collegium Budapest Susan Rose-Ackerman

Two conflicting stories are told about the impact of the past on societies moving from socialism to market democracy. The first recognizes the overall failures of the planned economies but points to cooperation between family and friends as a means of coping with a dysfunctional system. This sense of community has been broken up by the move to the market and to democracy leading to a loss of trust and an increase in opportunism. The second story stresses the socialist governments' lack of legitimacy – a fact that led citizens to assume that official state actors were self-serving and that rules were irrational. Individual horizons were limited by the difficulties and risks of impersonal, arms-length dealings. The new democratic governments inherited a citizenry with low levels of trust in public institutions and with the habit of relying on inter-personal relations, not public institutions and laws. The first story argues for policies that reinforce interpersonal trust, and the second, for policies that develop trust and confidence in the impartiality and competence of the state. The topic of honesty and trust in the post-socialist societies touches on issues central to the transition process and its eventual outcome. The issue sits at the intersection of institutional and

legal analysis, on the one hand, and the study of norms and public attitudes, on the other. Survey work from the region provides a fairly comprehensive picture of the attitudes of citizens and the managers of business firms in the post-socialist countries. This work also sheds some light on private sector and official behavior and on the nature of public and private institutions. Qualitative evidence from interviews and focus groups provides insight into the way households and businesses cope. Nevertheless, we know less than we would like about the actual operation of government institutions and about private sector organizations and informal groups. The rapidity of year-to-year changes leaves the analyst with questions about what has actually happened and unsure about the proper recommendations for reform. Most recent work shows a sharp divergence between the countries of the former Soviet Union (except for the Baltics) and those that came under Soviet influence only after the Second World War. There are exceptions and interesting cross-country variations, but as a general rule, the countries geographically closer to Western Europe are also closer to Western Europe in political, legal, and economic development than the countries farther east. This suggests that the most

1 Henry R. Luce Professor of Law and Political Science, Yale University. I am grateful to Amnon Lehavi for very helpful research assistance. Parts II, III and V will appear in somewhat modified form in *Kyklos* 54: 407-435 (2001). The comments of János Kornai and Margaret Levi are gratefully acknowledged.

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pressing problems and their solutions will differ across the region. In some countries, growing poverty and inequality suggest a focus on simply avoiding collapse. Some of the laggards in the region, such as Russia and Ukraine, may need to go through a second transition to escape from dysfunctional traps where distrust in the state and in others builds on itself over time. In other countries, one can consider more fine-grained responses both to create institutions that facilitate trust and honesty and to help change public attitudes and expectations. Trust has many meanings. Part I distinguishes between three variants: generalized interpersonal trust, one-sided trust or reliability, and two-sided reciprocal trust. It distinguishes between trust that arises from interpersonal interactions over time and trust based that arises from other sources. I argue that the development of legitimate, well-functioning governments and markets requires one-sided trust in public institutions. However, tensions can arise between one-sided trust in institutions and reciprocal trust in friends and family. In my view, the creation of generalized trust is a weak foundation on which to build a modern democratic market economy. Part II begins a presentation of data on the region. It reviews the survey evidence on public attitudes toward the state and on people's actual experience coping with state officials in Central and Eastern Europe. It documents the sharp differences between the western and eastern portions of the former Communist Bloc. Part III discusses the link between the creation of a trustworthy state and the role of participatory organizations and considers how these organizations might increase citizen trust and involvement. Part IV turns to business/state and business/business relations. It focuses not only on firms' relationships with politicians and bureaucrats but also on the way the law and the courts affect business to business dealings. The paper ends in Part V with suggestions for future research and policy analysis.

I. Theoretical Foundations and Empirical Issues

Trust implies confidence, but not certainty, that some person or institution will behave in an expected way. 2 A trusting person decides to act in spite of uncertainty about the future and doubts about the reliability of others' promises. 3 The need for trust arises from human freedom. As Piotr Sztompka (1999: 22) writes, "facing other people we often remain in the condition of uncertainty, bafflement, and surprise." Honesty is an important substantive value with a close connection to trust. Honesty implies both truth-telling and responsible behavior that seeks to abide by the rules. 4 One may trust another 2 Russell Hardin's (2001: 10) view that trust is a type of knowledge or belief, not an action seems correct although in practice all one may be able to observe is the action that follows. 3 Sztompka (1999: 25-40), Dasgupta (1988: 51). As Annette Baier (1986: 235) writes: "Where one depends on another's good will, one is necessarily vulnerable to the limits of that good will. One leaves others an opportunity to harm one when one trusts, and also shows one's confidence that they will not take it." Diego Gambetta characterizes trust as follows. "Trust (or, symmetrically, distrust) is a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both *before* he can monitor such action (or independently of his capacity ever to be able to

monitor it) *and* in a context in which it affects *his own* actions...When we say that we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him” (Gambetta 1988b:217). 4 For a discussion of lying see Bok (1978).

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person to behave honestly, but honesty is not identical to trustworthiness. A person may be honest but incompetent and so not worthy of trust. Nevertheless, interpersonal relationships are facilitated by the belief that the other person has a moral commitment to honesty or has an incentive to tell the truth. **Corruption** is dishonest behavior that violates the trust placed in a public official. It involves the use of a public position for private gain. The Collegium Budapest project is most interested in honesty and trust as they affect the functioning of the democratic state and the market. We are interested in informal interactions based on affect-based trust only insofar as they substitute for, conflict with, or complement the institutions of state and market. The relationship between informal connections and formal rules and institutions is central to our concern. The institutions of interest are democratic political structures, bureaucracies, law and the courts, and market institutions. Excellent introductions to work on the link between government and trust are books edited by Valerie Braithwaite and Margaret Levi (1998) and by Mark Warren (1999a). As Warren points out, governments are needed in just those situations in which people cannot trust each other voluntarily to take others’ interests into account. The state is a way of managing inter-personal conflicts without resorting to civil war. Yet this task is much more manageable if the citizenry has a degree of interpersonal trust and if the state is organized so that it is trusted by its citizens along, at least, some dimensions. The state may be able to limit its regulatory reach if interpersonal trust vitiates the need for certain kinds of state action (Offe 1999). Conversely, if the state is reliable and even-handed in applying its rules, that is, if people trust it to be fair, state legitimacy is likely to be enhanced (Offe 1999, Sztompka 1999: 135-136).

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Thus there are three interrelated issues. First, do trust and reliability help democracy to function, and if so, how can they be produced? Second, do democratic governments help create a society in which trustworthiness and honesty flourish? Third, given the difficulty of producing trustworthiness and honesty, how can institutional reform be used to limit the need for these virtues? This section of the paper provides a framework for thinking about these broad questions and for the factual material to follow. Section I.A organizes the research on trust especially as it applies to the relationship between trust and government functioning. With this background, I.B discusses the mutual interaction between trust and democracy. The alternative of limiting the need for trust leads, in I.C, to a discussion of **corruption** in government and commercial dealings. **Corruption** occurs when dishonest politicians and public officials help others in return for payoffs. Because their actions are illegal, they need to trust their beneficiaries not to reveal their actions. Corrupt officials are also, of course, betraying the public trust insofar as their superiors are concerned. Reforms here can involve a reorganization of government to limit the scope for lucrative discretionary actions. Conversely, one might focus on changing the attitudes of both officials and private actors so that existing discretion is exercised in a fairer and more impartial manner.

This section focuses on the issues of trust, trustworthiness, and **corruption**. Except insofar as **corruption** is viewed as a type of dishonest behavior, I do not discuss honesty as a distinct and important value. This is a lacuna that will need to be filled as we develop the project’s agenda in the May workshop.

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Hardin (1998,1999) argues that it is incoherent to speak of trusting a state institution, but that is because he only considers what I call reputation-based trust.

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A. Generalized Trust, Reliability, and Reciprocal Trust

Many claim that societies cannot function without high levels of trust.

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Sometimes this claim

is coupled with a lament about the decline of trust in the modern world and nostalgia for the days when trust was high and personal involvement in civic life was pervasive.

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Sometimes the discussion

proceeds as if “trust” in and of itself is valuable as evidence of close interpersonal links. Trust and a strong “civil society” are taken to be synonymous. But disembodied trust is not a very meaningful normative concept. It is parasitic on other underlying substantive values and cannot be evaluated and studied except in context.

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The values I emphasize are increases in individual well-being and the creation of states viewed as legitimate by their citizens. Trust is an input in the process of economic growth and state-building that may have negative as well as positive consequences (Putnam 2000: 350-363, Hardin, 2000, Rose-Ackerman, 1999: 96-99).

Although I begin with generalized trust, my main concern is relational trust -- that is, trust in particular contexts, whether one-sided or reciprocal. Although it may be true, as Eric Uslaner (2000-2001) argues, that generalized trust in others has deep roots in individual psychology and upbringing, structural conditions are, nevertheless, important in influencing trust and behavior in particular cases. The tension between trust based on interpersonal empathy and trust based on neutral fairness is my central analytic and empirical concern.

One uninteresting class of cases can be eliminated from consideration right away - simple probabilistic calculations based on natural, physical phenomena, as when someone says: “I trust the sun will rise tomorrow”, or “I trust that the seeds I have planted will germinate if the weather is favorable.” There is no reliance on human agency here. In fact, although such usage is common, it is misleading to refer to “trust” in this context. One is simply making a prediction based only on one’s knowledge of the natural world, and it would be clearer to speak in those terms.

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Let us turn

then to situations that depend on human decisions whether or not to act in a trustworthy manner.

1. Generalized Trust and “Social Capital”

Generalized trust in others has recently been measured extensively and used as an indicator of the health of society. This type of trust expresses a background psychological attitude rather than trust in identifiable others to do particular things (Hardin, 2001). Such measures of trust are very difficult to interpret and to translate into concrete proposals. The causal links between measures of generalized trust and the performance of government and market institutions are not always well-specified and the empirical tests are inconclusive. It seems especially problematic to make much use of this information in the countries in transition where inter-personal trust often diverges widely from trust in a range of institutions.

Generalized trust is not the same thing as “social capital.” The issues of trust and social

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“In almost trivial ways, without trust the most basic activities of everyday life would become impossible” (Warren 1999:2). See also the sources cited in Sztompka (1999: ix).

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See Robert Putnam (2000).

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As Gambetta (1988b: 214) states: “*A priori*, we cannot always say whether greater trust and cooperation are in

fact desirable.” He evokes the example of a group of robbers and murderers who operate on the basis of interpersonal

trust. Gambetta’s (1993) own study of the Italian mafia is full of relevant examples. See also Sztompka (1999: 114-115).

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Gambetta (1988b: 218); Luhmann (1988); Sztompka (1999:19-21).

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capital have received considerable attention recently because of Robert Putnam's (1993, 2000) claim that when social capital is high, citizens express confidence and trust not only in each other but also in public institutions and the market. According to him, this encourages citizens to work to improve the democratic accountability of the state. Putnam (1993, 2000) argues that strong "civil societies" generate interpersonal trust and tolerance that is transferable from the voluntary organizations and groups that produce it to the broader framework of democratic participation. Under this view, which conflates generalized trust and social capital, societies need to create opportunities for social capital to be produced through voluntary activity based on friendship, loyalty, or commitment. He believes that trust created at that level will aid in the production of the generalized trust useful for the maintenance of a stable democracy.

There appear to be serious problems with Putnam's conceptual framework. The available evidence does not demonstrate a strong link either between trust in people within a particular organization and generalized trust in others or between generalized trust and trust in state institutions. In 1990 and 1996/1997 the World Values Survey (WVS) asked whether, generally speaking, "most people can be trusted" or whether "you can't be too careful in dealing with people" (V 94, Inglehart 1997:399). Generalized trust is associated with stable democracies according to research based on the WVS. In a multi-variate analysis based on 41 cases worldwide, the number of continuous years of democratic functioning between 1920 and 1995 is positively associated with high levels of interpersonal trust as well as with GNP/per capita and expressions of well-being (Inglehart 1997: 183, see also Inglehart and Baker 2000). Although this finding suggests that generalized trust and democracy reinforce each other, it does not imply that the development of generalized trust will generate strong democracies. Recent work by Eric Uslaner (2000-2001) concludes that participation in voluntary institutions does not produce generalized trust in others and does not promote democracy and that democracy does not generate trust even if the two are correlated. In research that is somewhat more supportive of Putnam's claims, John Brehm and Wendy Rahn (1997) demonstrate, with individual-level US data, that the causation runs weakly from interpersonal trust to both civic engagement and confidence in government but much more strongly from both confidence in government and civic engagement to interpersonal trust. Further reasons for skepticism come from work on generalized trust in the post-socialist countries. Levels of generalized trust are not particularly low. For example, in 1998, 51% of those surveyed in Central and Eastern Europe by the New Democracies Barometer said that most people can be trusted; in 2000, 66% of Russians agreed, up from 34% in 1998. These replies were below the 77% figure for Korea, but they are above recent United States numbers which are hovering at about 35%. There does not appear to be a drastic deficit in interpersonal trust in the region (Rose and Haerpfer, 1998a: 62-63, Rose, 1999a: 13, Rose and Shin, 1998, 16-18, Rose, 2000:29, Uslaner 2000-2001). However, trust in others does not necessarily translate into trust in government. In 2000, Russians expressed high levels of distrust in all institutions except the army and the president (Rose, 2000: 29). Looking across the countries surveyed in the New Democracy barometer, Ukrainians who have low levels of trust in government institutions express a high degree of trust in "most people you meet." In Central Europe, the most distrustful of other people are the Romanians and the Bulgarians, but their views of a range of institutions are not markedly different from those of their neighbors (see table 1 below). Thus, there are some countries where interpersonal trust is high and trust in institutions is low, and some where at least some institutions are trusted although

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inter-personal trust is low (Rose and Haerpfer 1998a: 62-63).

Growing interpersonal trust does not necessarily translate into democratic benefits. This is likely to be particularly true in post-socialist societies where appeals to support the "collective good" are often viewed with skepticism (World Bank, 2000b: 199).

My critique of Putnam

should not, however, be read as a general critique of the concept of social capital and its role in economic and political development. Rather, I would argue for a more nuanced view that does not

treat social capital as an undifferentiated mass that is “produced” by participation in voluntary groups. Instead, one needs to understand the different kinds of interpersonal links that develop between people as a result of their personal and organizational ties. Then one could study the way specific types of private organizations and groups influence people’s interactions with the state and the market. Such research could lead to proposals for policies that might facilitate the growth of civil society and social capital, but not necessarily generalized trust.

There seems no reason to assume that a legitimate state will bubble up spontaneously as people become more trusting of those they meet. I argue below that nongovernmental organizations may have important benefits for those concerned with state-building. This connection, however, does not depend on the claim that such institutions increase generalized trust. First of all, they may not do so, and second, even those that do, may not generate large benefits in terms of civic engagement.

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2. One-Sided Reliability

Moving from generalized trust in others to specific human and organizational interactions, requires more specific models. I emphasize the basic distinction between one-sided reliability or confidence and two-sided or reciprocal trust. Under some conditions, these alternative types of trust can operate at cross-purposes, and thus they raise a number of important problems for the post-socialist countries.

Under “one-sided reliability” person A decides whether or not to trust another person or institution, B, on the basis of information about incentives, motives, and competence. The situation is one-sided in that the trusted person is uninterested in whether A is trustworthy.

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B may,

however, be influenced by A’s expected reactions to B’s actions. The situation may involve strategic interactions, but only one of the actors must decide whether to be trustworthy, and only one has to decide whether or not to trust. I distinguish three types of one-sided reliability.

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However, experimental work by Toshio Yamagishi’s (2001) using Japanese subjects suggests how decisions

to trust particular people can be influenced by one’s general disposition to trust others. This research has nothing to say

about how generalized trust is produced; it only deals with the behavior of people who express varying degrees of such

trust. People who express high levels of general trust in others are not gullible in the face of contrary evidence. Rather,

because they have experience in taking chances on others, they are more skilled at judging the reliability of others than the

distrustful who simply avoid encounters where trust is required. Because the distrustful are less skilled at evaluating others,

when they do take a chance, they are more likely to be disappointed thus discouraging future transactions.

Thus, the

trusting may be cheated more often than the distrusting but may gain overall because they engage in so many more

transactions, some of which are successful. Those who trust others will take more chances that can produce economic and

political benefits. Yamagishi’s work suggests that generalized trust represents, not gullibility, but realistic calculations, at

least in Japan. There may, however, be a different underlying pattern in the post-socialist countries. The savvy trusters in

Japan are simply making an informed judgment about their countrymen. In Ukraine, these same people might express

generalized distrust.

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This category is similar to Sztompka’s (1999:27) concept of “anticipatory trust.”

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A first is reputation-based trust that arises from one's belief that the other can be trusted because it is in his or her interest (Sztompka 1999: 71-72, Wintrobe 1995: 46). Russell Hardin (1998, 1999) calls this "encapsulated interest". A reputation for trustworthiness is beneficial to the individual. In much economic analysis of the topic, trust and honesty grow out of repeat play. The business person is trusted, not because he appears especially moral or good, but because it is in his interest to be viewed as reliable.

If morally good people can credibly signal their character, they have a competitive advantage because they find it easier to convince people that they should be trusted. However, if there is a scarcity of such people, trustworthy reputations can also be developed by the purely self-interested. If information about the outcome of particular transactions is communicated to the world at large, each deal creates spillovers. A seller may act in a trustworthy way, not just to induce the particular buyer to return, but also to send a signal to other potential buyers (Sztompka 1999: 104). Such a process, in which self-interested people act in a "good" way, has particular appeal for economists who defend the market as a welfare-enhancing institution in which all actors are self-interested. In these models, actors have an incentive to establish a good reputation irrespective of what other economic actors are doing. If they charge the same price, a trustworthy seller will always get more business than an untrustworthy one. The only reason for failing to develop a trustworthy reputation is the cost of communicating one's type to the customer base. There is no need for external law enforcement.

Models of this type may be strategic in that B's incentive to be trustworthy depends on estimates about the behavior of A, who, in turn, bases her behavior on an estimate of B's actions.

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Consider, for example, the well-known problem illustrated by the used car market. George Akerlof (1970) argues that because consumers are poorly informed, sellers have an incentive to try to sell low-quality cars, "lemons," by passing them off as high-quality cars. This will drive high-quality cars from the market if sellers cannot credibly commit to automobile quality. Customers anticipate this behavior of sellers and will not believe any one who claims to be selling a high-quality car. Then the only kinds of cars that change hands are of low quality. A business person who could establish a credible reputation as a seller of high-quality cars could make money. He might do this over time as satisfied customers report their experience, but he would need some device, such as a money-back guarantee, to get his business started. Alternatively, if he can credibly signal his high integrity *ex ante*, he can successfully enter the market. This is an example of trust as one-sided reliability in a strategic context. The seller anticipates the buyer's behavior, but the buyer is the only one who needs to exhibit trust. Below I consider strategic cases where trust is a two-sided affair.

A second, related, type of one-sided reliability is trust in a professional with specialized knowledge such as a doctor or lawyer or a scientific expert who predicts the future or who predicts the result of engaging in some risky activity, such as taking a prescription drug or breathing in an air pollutant (Barber 1983, Sztompka 1999:46-48). Just as in the first case, one needs to know if the person's material incentives are aligned with one's own interest in the truth or in reliable service. However, also of importance are the expert's competence and reputation for unbiased judgment.

She is trusted both because she is highly skilled and because she holds professional norms that value

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The cases that Hardin (2001:17-18) discusses are mostly of this sort and derive from conditions that approximate the prisoners' dilemma.

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trustworthy behavior and truth telling. These norms should dictate honest reporting of scientific tests even if they are contrary to the expert's expectations. For lawyers and doctors, they should induce such professionals to act in the interests of their clients and patients. Trust is one-sided here because, although those who rely on the expert must trust her, the expert, herself, is uninterested in the trustworthiness of those who use her predictions and services. The exception here would be a provider of professional services who cares about her clients' reputation for paying their bills

In the United States there appears to have been a decline in public trust in scientific experts. According to Paul Slovic, lack of trust underlies a number of recent controversies over technological hazards (Slovic 1993). For example, the risks of nuclear waste disposal and exposure to chemicals are viewed as unacceptably large by ordinary people even though experts evaluate the risks as low and comparable to risks that people do accept. The problem is not a failure to communicate the relevant data but a lack of public trust in its reliability (ibid.:676). In this area, trust is fragile since a single, highly visible, negative instance can undermine trust in experts' claims. Furthermore, the public views the sources of trust-destroying news as more credible than those that provide news that reinforces trust. A negative piece of news can lead one to interpret subsequent information in a negative light thus amplifying the effect over time (ibid.: 678-679). One solution is to limit public participation. In France the public perceives the risks of nuclear power to be high but trusts the state to manage them even though it accepts little public input. This is not an acceptable solution for more participatory systems such as the United States. Instead, Slovic tentatively recommends more power sharing and public participation that goes beyond public relations (ibid: 680). The claim that trust built on democratic participation will help increase the credibility of science in policymaking.

The level of trust in professionals is likely to be lower in the countries in the post-socialist world, given recent past experience. If experts and professionals were distrusted under socialism, it is not obvious that the same people would suddenly be seen as more reliable under more democratic systems.

The third type of one-sided model is not tied to individual motivation, but to organizational functioning.

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This is rule-based trustworthiness - that is, trust that an organization's rules will be followed in a neutral and predictable way. One trusts the institution's rules irrespective of the particular people occupying positions of trust and authority. It is easy to see why those at the top of an organization might want to create such standards, but it is less clear how inferior officers can be induced to behave in a rule-bound way. There are several potential problems. First, how easily can one find out ex post if the official or employee acted badly? Are there other intervening variables, so that a poor outcome does not necessarily imply that the expert acted badly? Second, if monitoring is possible, can costs be imposed? Third, how costly is it to monitor and to impose costs? When the answers to these questions are unfavorable, the solution may be to reduce the human element in administration. One might simply limit the conditions under which trust is needed (Gambetta 1988b: 220, Levi 1999).

As Niklas Luhmann (1988: 99-105) points out, social evolution toward increasingly complex societies may increase the benefits of trust in public agents at the same time as it undermines trust based on family and friends. Hierarchies of agency/principal relations expand the

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Sztompka (1999:44) calls this "procedural trust."

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scope of organizations and permit the use of specialists. The functioning of these organizations is closely related to the reliability of these agents. Even without hierarchy and specialization, trust can facilitate arms-length activities organized over space and time or indeed any activity in which monitoring is costly.

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Thus, as we shall see in discussing reciprocal trust, Luhmann has focused on an important tension that arises in the post-socialist countries. They need to create trustworthy modern organizations to exercise state power and private economic activity, but doing so may undermine older reciprocal methods of coping.

3. Reciprocal Trust

Now consider "reciprocal trust." Frequently, all participants are affected by the attitudes and expected behavior of those on the other side of the transaction. These cases differ from the strategic interactions listed above in that people have a reciprocal relationship based on

trustworthiness. Trustworthy behavior can be affected by one's guesses about the trustworthiness of others. The links may be based on mutual calculations of the others' interests, on feelings of personal affection and responsibility, or on shared values (Gambetta 1988b: 230-231, Hardin 2001). Because links of trust between two people can inflict harms or benefits on others, the discussion of honesty and trust needs to be embedded in the institutional structures in which people deal with each other.

First, as Russell Hardin (2001) argues, mutually reinforcing trust can be interest-based. All that is required is to take a situation where encapsulated interest operates on one side of the transaction and graft it onto another where trust flows the other way. Reciprocal trusting relationships may involve individuals with very different degrees of power and with very different aims. Even in a straight hierarchical relationship where a principal (superior) requests an agent (inferior) to do something, trust does not flow only from the trusting superior to the trustworthy agent. Rather the agent also trusts the superior to carry out her side of the bargain by, for example, paying him when the job is done. When economic relationships are organized over time, A, the one who acts first, may trust B, the second mover, to act as promised, or A may write an enforceable contract that reverses the burden of trust. For example, A may require B to give him something of value to hold as a hostage against B's performance. B will not do this, however, unless he trusts A not to abscond with the hostage. In many relationships the unfolding of interactions over space and time means that people shift from being the one who trusts to being the one who is trustworthy and back again. Over time, the very act of trusting may induce the other person to be more trustworthy, and so on in a benevolent spiral. Conversely, showing a person that he is distrusted may cause him to confirm your expectations (Sztompka 1999: 28, 61-62, 106).

Second, reciprocal trust can be a reflection of warm personal feelings. People may trust others because they believe that the others wish them well. However, one needs to recognize that close personal relations can engender hatred and jealousy as well as love and affection, and sometimes the latter can turn into the former. Distrust is sometimes pervasive in close-knit communities that give people little possibility of exit (Levi 1998:82-83). Furthermore, trust in a network of close kin or ethnic group members may reduce trust in outsiders (Wintrobe 1995).

Third, reciprocal trust can reflect shared values and goals, not empathy. People trust each

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Nicholas Luhmann (1979, 1988: 99) emphasizes how trust in strangers who are part of institutions can help coordinate activities over space and time in a way that permits complex, differentiated societies to function.

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other because they have a common belief in the moral value of cooperative and helpful behavior (Braithwaite, 1998). Trust motivated by moral values, such as respect, may be extended altruistically (Mansbridge, 1999). This type of trust can reinforce the legitimacy of public institutions and overcome cooperation problems such as the prisoners' dilemma under which those who anticipate the self-interested behavior of others behave in a self-interested way as well. A person may cooperate, not only because she views cooperation as good, but also because she believes that you share her belief. The key is not trust per se but a mutually trusting relationship. However, reciprocal trust can generate patterns of behavior that actively undermine state functions. This can be viewed as positive or negative depending upon one's evaluation of the state. On the one hand, close-knit criminal groups may create networks based on a mixture of empathy, threats, and shared goals that leave the ordinary police powerless (Gambetta 1988b: 214, 1993). On the other hand, organizations based on interpersonal solidarity in the face of an illegitimate state can sow the seeds of revolutionary change. Such groups were important in setting the stage for the fall of the socialist states in Central Europe although they obviously could not have achieved the change entirely on their own (Sztompka, 1999: 151-160, Warren, 1999b:12-14, World Bank, 2000b:118). If cooperation is fragile and subject to breakdown, one option is to develop strategies that minimize trust (Levi 1999). Thus Robert Axelrod (1984) showed that a strategy called "tit for tat" performs best against other strategies in a repeated prisoners' dilemma game. Under that strategy, a player cooperates in the first round, but if the other player opts not to cooperate, the first player fails to cooperate in the next round and continues to play that strategy until the other player opts to

cooperate. When he does, the first player cooperates in the next round and so on. This strategy requires no trust at all. A player simply communicates his intentions clearly by the moves he makes, but the result can be to establish long-term cooperation. Nevertheless, the strategy may be more effective if the tit-for-tat player announces his strategy up front and if the other player trusts his credibility (Gambetta 1988b: 222-229). Notice that the tit-for-tat player wants the other player both to trust that cooperation will be met by cooperation *and* that failure to cooperate will be swiftly punished. A person with too strong a reputation as a cooperator might not be able to develop a credible reputation for retaliation. The other player trusts him to cooperate but does not trust him to inflict punishment.

Now consider interactions between large numbers of people with no collective organization. Especially when reciprocity is based on moral motivations, the overall level of trustworthiness and honesty can be affected by the proportion of others who are also trustworthy and honest. When a high proportion of actors is trustworthy and honest, this encourages others to become honest, and so on until all but a few diehards are honest. Conversely, when most are distrustful and dishonest, even more shift in that direction until all but the moralists are lying and cheating. Moral qualms are not absolutes but are affected by one's perception of what others are doing (Fehr and Gächter, 2000; Sugden, 1984).

A similar dynamic can operate when behavior depends on the chance of being caught behaving in a dishonest or untrustworthy way. In one version of this model, the monitoring process breaks down as the proportion of cheaters increases. One's behavior is affected by the trustworthy or honest behavior of others, but one's motivation is pure self-interest. In another version, one's expectations about those on the other side of the transaction are key. You will be more likely to offer a bribe if you expect that most officials are corrupt. Then even the formerly honest will be

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offered bribes, and some may become corrupt when offered the opportunity. If you think most are honest, you will be deterred from offering a bribe for fear of being arrested and hence few potentially corrupt officials will actually accept bribes, leading them to turn honest as well. Similarly, a person may behave in a trustworthy way toward his family members if they reciprocate, but revert to feuding if they cheat or undermine him.

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A spiral in which distrust breeds more distrust can be particularly destructive in complex societies. A decline in confidence or an increased difficulty of finding others who warrant trust can unleash a deteriorating cycle that diminishes the range of activities that people are willing to carry out.

These dynamic models appear consistent with Putnam's (2000) view of the decline of generalized trust in the United States. My point, however, is that Putnam's analysis takes insufficient account of strategic considerations. People who express high or low levels of generalized trust may trust others in one strategic context, say involving neighborhood cooperation in a common task, and distrust others in another, say in deciding whether to pay taxes or apply for a scarce public benefit. In these dynamic models there is no generalized "social capital." Instead, behavior is a function of the particular situation, including estimates of the probable behavior of others.

4. A Typology and a Tradeoff

Research on trust can be organized in terms of the interrelationships between people, on the one hand, and the origin of individual trusting or distrusting attitudes, on the other. I make a preliminary attempt to isolate the most important factors here, but my framework is designed to promote discussion, not set up rigid categories.

Consider, first, the interpersonal dimension. I have isolated three broad categories:

- 1) Generalized trust: One's trust in others is part of a general attitude, not an evaluation of the particular, interpersonal situation. Its origins, however, may lie in one's past experiences of one-sided reliability or reciprocal trust.
- 2) One-sided reliability: Individual A's trust in a particular person, B, depends upon an estimate of B's trustworthiness. B's trustworthiness, however, is independent of A's own

trustworthiness. However, B's behavior may be influenced by reactions of those on the other side of the transaction and by the costs of monitoring and control.

3) Reciprocal trust: Trustworthy behavior is influenced by the degree of trust and trustworthiness expressed by others. The relevant others may be (i) the people one deals with directly who are on the other side of the transaction, or (ii) others similarly situated such as other firms in the same industry, fellow public officials, or other applicants for scarce public services.

The second dimension involves the process by which trust is generated either through repeated interactions or through psychological or moral attitudes. I have isolated five broad categories, but they are not mutually exclusive. Several can co-exist at once. Then it will be important to determine which reinforce each other and which operate at cross purposes. These categories interact with the interpersonal alternatives above although some appear to be more closely associated with one than with another. The five categories are as follows.

a) Encapsulated interest: Trustworthy behavior that develops over time as a part of people's efforts to develop a reputation for reliability. Of course, such a reputation must be

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Some of these models are summarized in Rose-Ackerman (1999: 107-108, 124-125).

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valuable so that the interest of customers or citizens in reliability influences the decision to supply it. This can produce one-sided trust when a feedback loop operates that is tied to the actor's narrow self-interest. Alternatively, in the two-sided case, interest-based trust can develop in which actors have an instrumental incentive to act in a trustworthy manner to further other goals. These other goals might be economic, political, or moral but are distinct from trustworthiness per se. An important empirical issue is whether trust developed out of encapsulated interest can produce generalized trust in others.

b) Expert-based: Trust in experts who make predictions or provide services based on science or other forms of professional expertise. This will be mostly one-sided trust in which ordinary people trust experts, but the experts, in turn, have no interest in the trustworthiness of ordinary people.

c) Rule-based: An organization is trusted because it promises not to deviate from clearly-stated procedures that treat people neutrally. This is one-sided trust in an institution, but if that institution is the state, its trustworthy reputation can make people more willing to trust anonymous others.

d) Affect-based: Trustworthy behavior is encouraged by love and friendship. This could involve a one-sided relationship, or it could be influenced by the vulnerability and trust of those who depend on you because of ties of kinship and affection. In other words, the other person need not be trustworthy, but his or her trust in you influences your behavior.

e) Morality-based: Beliefs in the trustworthiness of others are reinforced by interactions with others who have moral commitments to act in a trustworthy way, and vis versa if others are untrustworthy and dishonest. Moral behavior may be motivated by the impact on third parties not part of the transaction. Generalized trust may be the result of interactions over time with others who believe that trust is morally right.

This way of organizing the concept of trust can help one isolate tradeoffs, conflicts, and complementarities between alternative types of trust and trustworthiness that can be expected to arise as the state-building process proceeds in Central and Eastern Europe. The most obvious tension is between reciprocal trust and one-sided trust in the fairness of public institutions and markets. Interpersonal trust based on empathy and a sense of duty toward family and friends is quite different from trust in the fairness and neutrality of officials and institutions that govern modern complex societies.

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In complex societies, one-sided trust based on reliable predictions is especially important. Unfortunately, reciprocal trust based on personal connections may operate at cross-purposes to trust as reliability. Organizational designers and legal reformers frequently seek to create systems that operate fairly and without favoritism. This goal can come in conflict with reciprocal, affect-

based trust that depends upon close personal relations or kinship. One who relies on affect-based trust may believe that the trusted person will favor her whether or not she fulfills the formal qualifications and will aid her even if it imposes some costs on him in his institutional role. In a world where affect-based trust is dominant, there may be little trust based on the notion of trust as reliability. The development of a modern, complex society may be stifled.

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For example, the risks

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Claus Offe (1999) distinguishes between expectations of reciprocity in interpersonal trust and trust in institutions on the basis of knowing that its rules, values, and norms are shared by participants who view them as binding.

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Inter-personal trust based on ethnic group membership may exclude non-members and make exit all but

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of kin-based trust are illustrated by a detailed study of two Northern Albanian villages. In one village five extended families dominated village life and cooperation across kinship lines was limited. In the other, family groupings were less powerfully entrenched and community-wide cooperation was possible and successful. In another example from Central Asia, some indigenous neighborhood institutions have used donor funds to favor insiders with close ties to the leadership.

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Even trustworthy and honest behavior that is motivated by moral beliefs, not kinship ties, may undermine some kinds of rule-based systems. Superiors in an organization may want clear, neutral rules that ignore individual circumstances. The official who is motivated by his own moral beliefs may be just as harmful to efforts to construct a rule-based system as the one who favors his nephews. A person who follows his ideological or religious beliefs no matter what role he plays can undermine efforts to develop trust in public institutions through promises of rule-based service delivery. Conversely, a credible background of rules can encourage interpersonal trust. Once these trusting relationships are established, the participants are less dependent on the background rules, but such relationships would have been difficult to establish in the absence of rules.

Research on the possible tension between trust in rules and reciprocal trust between people is central to understanding the problems faced by the post-socialist countries. Of particular concern are situations where personal links undermine reform efforts. Unfortunately, surveys do not permit one to distinguish between trust in strangers and trust in friends, co-workers, and kin. However, other evidence suggests that Russians and Central and East Europeans established dense networks of informal connections to cope with the difficulties of life under socialism and that some of these practices have continued as ways to cope with the present situation (Rose 1999a:10, Ledeneva 1998). One question raised by the transition is whether the legacy of these informal connections is helping or hindering the process of institutionalizing democracy and the market. Some information suggests that Russia, Ukraine, and other parts of the former Soviet Union are diverging from the countries closer to Western Europe. The reliance on interpersonal ties is understandable but may make some types of reform difficult.

A little insight into the impact of interpersonal ties is generated by a study using Russian data that linked measures of social capital and individual attributes to individual income security (Rose, 1999a). The dependent variable is whether one can borrow a week's salary from friends. Basic socio-economic characteristics such as age, gender, and income had little explanatory power. Feelings of control over one's life did have a positive impact although the causal arrow here is unclear. The most interesting finding concerns the "frequency of using anti-modern networks"--in other words, the use of **corruption** and connections in a range of different fields.

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This was an impossible. In the inter-generational context, the trust that parents place in their children comes from the shame and guilt

that children feel as a result of pressure not just from parents but from other members of the ethnic group. A society divided into a collection of ethnic groups may operate with little cross-ethnic economic and social activity thus limiting social and economic development. Ethnic groups might make it easy to develop a trustworthy reputation and impart useful social values that maintain social order, but they can also create prejudice and hostility among groups (Wintrobe, 1995)). This issue of ethnic solidarity arises in Central and Eastern Europe where Russian minorities exist and where boundaries have left ethnic groups such as Hungarians located in several countries. Of course, the Roma present special issues of in-group trust and prejudice in the broader society.

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World Bank, 2000b: 199, 203. The Albanian study is by Douglas Saltmarche.

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The variable measures the use of corrupt or clientelistic networks for housing repair, getting an apartment, personal safety, theft, portfolio investment, social benefits, permit, getting to see doctor, hospital treatment, getting into a

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important explanatory variable both for employed people and for a larger sample of all respondents. These results may indicate that those who use such networks have a circle of friends willing to help with both private favors and the illicit allocation of state services and regulatory benefits. This is a troubling implication since it suggests the relative solidity of networks of obligation based, in part, on **corruption** and clientelism. A family connection to the Communist Party also has significant explanatory power, indicating that some people are relying on links forged under the previous regime. These results, in short, suggest that some of the trusting relationships in Russia are a legacy from the Soviet period. Connections may help people over difficult patches in their day-to-day lives but do not appear to be contributing to long term reform of the state administration or to the consolidation of democratic structures. In short, an important research topic is the impact of past relationships on present efforts to establish a new legal and institutional framework that relies on democratic accountability and impartiality.

B. Trust and Democracy

Large democracies govern themselves through political representatives and other kinds of agents such as bureaucrats and judges. Because elected representatives cannot be perfectly controlled by voters, the electorate must have some level of trust in those it elects. Similarly, bureaucrats and judges also have considerable discretion. The more they can be trusted to fulfill their roles willingly, the fewer the resources needed to monitor and discipline them, and the more discretion they can be given. The key requirement here is for one-sided trust based on the reliability or trustworthiness of public officials.

Piotr Sztompka (1999: 146-148) lists the ways in which trust contributes to democracy. The most important omission from his list, in light of my framework, is reciprocal trust based on kinship, love, and friendship. Although he does not explicitly deal with the downside of this type of trust, the omission is consistent with my own emphasis on the tension between friendly reciprocity and legitimate democratic functioning. According to Sztompka, democracy requires communication, and trust facilitates communication by helping people both to speak and to listen. Democracy requires tolerance of difference, and trust in others is part of accepting differences rather than seeing them as threats. Mutual trust keeps public debates from degenerating into personal attacks. These three claims depend on reciprocal trust that derives from moral commitments. Sztompka also argues that democracy requires people to accept some basic rules of interaction. Trust in others makes people more willing to play by the rules since they anticipate that others will do so as well. People need to trust both public institutions and other people in order to be willing to participate in politics. These two aspects depend upon the rule-based character of the state, that is on its reliability or

trustworthiness. To the extent that one trusts other people, it is because they operate under the same set of rules, not because of love and friendship. Finally, people need information in order to be responsible citizens and in this connection they need to be able to trust the sources that provide this material. This is one-sided trust in expertise. Thus the link between trust and democracy is multi-dimensional and an increase in trust along one line, say in the reliability of the information provided by the media, has no necessary spillover benefits for other dimensions.

If we accept at least some of the items in Sztompka's list, we need to ask how university.

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trustworthiness can be created in society. I have already expressed skepticism about Putnam's (2000) view that the solution is to encourage people to join civic organizations that generate interpersonal trust that produce "social capital" which in turn helps promote accountable government. Nevertheless, as I argue below, nonprofit organizations can help in development of a legitimate democratic state and in the creation of a civic consciousness. However, the mechanism is much different from the one that Putnam posits. An alternative is to take the psychological makeup of the population as given and design institutions, both political and bureaucratic, that function in low-trust environments. I discuss that option below and suggest that the evidence on Central and Eastern Europe suggests that such institutional approaches have promise.

The causation, however, may run in the opposite direction. Some claim that a well-functioning democratic government can create interpersonal trust (Warren 1999c, Rothstein, 2000, Levi, 1998: 85-94, Sztompka 1999: 139-146, Cohen, 1999). To Piotr Sztompka, democracy imposes credible constraints on politicians and public officials. Trust is then a rational response, not a result of "blind" loyalty, and permits people to take risks in dealing with each other in both the political and the economic sphere. "The more there is institutionalized distrust, the more there will be spontaneous trust" (Sztompka 1999: 140). When these constraints collapse, an inverse case can occur, where distrust and recrimination generate more of the same in the next period leading to a deterioration of state legitimacy and functioning and a breakdown of economic relations that depend on a reliable legal and political system.

"Government" is too undifferentiated a concept to be analyzed as a whole. One needs to consider the trustworthiness and honesty of elected politicians and other political actors, of bureaucrats up and down the civil service, and of the judiciary. A competitive electoral process can give politicians an incentive to reveal the untrustworthy behavior of their opponents and to be trustworthy themselves. One problem here is the possible tension between keeping one's promises to campaign contributors and powerful interest groups, on the one hand, and representing the interests of ordinary citizens, on the other. This is a familiar tension in all democracies, but may be of special concern in the post-socialist countries where parties and political groupings with mass membership may be relatively weak and not well organized. The creation of a well-functioning representative government is a challenge in these countries given the legacy of distrust in politicians inherited from the past.

Jean Cohen (1999) and Margaret Levi (1998) emphasize the importance of governmental institutions in effecting a shift from a low-trust trap to a more functional situation. Like Sztompka, Levi focuses on the fair and transparent operation of government, in other words, its rejection of affect-based trust in its dealings with citizens. According to Levi, most important are "the capacity to monitor laws, bring sanctions against lawbreakers, and provide information and guarantees about those seeking to be trusted" (ibid.:85). In her work, the focus is not so much on democratic electoral structures as on bureaucratic and legal institutions that make government transparent and fair. These institutions should be designed so that officials have an interest in behaving in an honest and trustworthy way (ibid.: 87). Then there may be a positive feedback loop between interpersonal trust and trustworthy government. Levi draws a useful distinction between the government's credible commitments and fair procedures, on the one hand, and citizens' feelings of ethical reciprocity, on the other. People are more likely to comply with the rules set down by the state if they think the rules will be enforced in an evenhandedly way. Compliance is also enhanced by the

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belief that others are also obeying the rules (ibid.: 87-93). The trustworthiness of government encourages widespread compliance with the rules. In the next iteration, even more people comply because they are influenced by the widespread compliance of others.

Rothstein (2000) accepts the self-reinforcing nature of well-run governments and interpersonal trust, but he argues that purely institutional changes will be insufficient. Rather he draws on work on “collective memory” to argue that policymakers can engage in a process that makes creative use of a country’s history to emphasize precedents that support trust both in the state and in other people. He urges that culture or history not be taken as arguments for accepting a low-trust status quo. Rather he urges a political dialogue about the nature of a nation’s collective memory as part of the process of reform.

Along the lines of Rothstein’s proposals, Charles Sabel (1993) presents a case in which trust was generated in a formerly distrustful environment through a process that redefined the actors’ identities. The case involved efforts to revitalize the garment, foundry, injection-molding, and machine-tool industries in particular regions of the Commonwealth of Pennsylvania. Sabel develops the notion of a “reflexive self” who “can entertain and act on the idea of creating or extending common values regarding loyalty and forbearance in the face of vulnerability precisely because it knows that other selves can entertain and act on the same idea” (ibid.: 1142). In the process of building trust, the actors “create a past in which prior conflicts resulted from mistakes and misunderstandings rather than fundamental differences” (ibid.: 1146). In the Pennsylvania cases, the key was the development of networks of local people who worked together to propose solutions. In spite of industrial histories of competition and conflict, many of these people had worked together cooperatively on other projects in the past and this background was used to develop a sense of community membership. These cases might provide an outline for similar exercises in Central and Eastern Europe.

Nevertheless, one should not under-emphasize the difficulty of the policies that Rothstein and Sabel propose. Dialogue may be difficult because one person’s fair and transparent rules are another’s rigid and inhumane system. Thus, the policy debate is not just about the impact of the past on the present, but also about how the state should be structured. Rules and laws need to be seen as fulfilling valid functions, not as arbitrary impositions by unresponsive outsiders. The enforcement process must also be viewed as fair. Otherwise the positive feedback loops outlined by Levi will not operate, and the attempt to establish rules and enforce them may backfire. Those who might have complied out of a sense of altruism or citizen duty may operate in a narrow self-interested way or even turn their resentment at the system into collective action designed to undermine the rules (Frey 1997b, Kahan 2000).

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Work on tax compliance suggests that in the United States a sense of duty and trust in government are more important than deterrence policies in explaining compliance. However, one difficulty with interpreting these results is that most people are very poorly informed about the actual probabilities of audit (Scholtz, 1998). In Minnesota when a sample of taxpayers was sent a letter telling them that the audit probability was one, low and middle income taxpayers increased

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The dynamic here is very similar to that outlined by Bruno Frey (1997b) who argues that establishing a market in certain goods and services may undermine altruistic motivations to donate to provide these same benefits.

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their tax payments compared with a control group.

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Bruno Frey (1998) also finds that higher levels of tax enforcement did not increase Swiss tax collections and that offers to pay citizens to accept hazardous waste in their communities are counterproductive. A study of community activists and

welfare beneficiaries in Australia found that their distrust of government was founded on a belief that government did not trust them to articulate their own needs and to manage programs designed to benefit the community (Peel, 1998).

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These results suggest that reciprocal trust between government agencies and individuals can produce positive results. Here trust is not based on empathy or love but on mutual respect. In fact, government may trust citizens to administer public programs or pay taxes because it believes that citizens will not rely on interpersonal empathy in deciding how to comply with public responsibilities. The state is more likely to devolve authority to local groups if it believes that narrow favoritism can be avoided.

In relating democracy and trust, I have highlighted the tension between interpersonal trust based on empathy for particular individuals and the creation of a state whose citizens expect fair treatment from each other and from public officials. People who trust each other to obey the rules also trust others not to favor their friends and relations when that conflicts with a civic responsibility. This is not to say that democracies do not value family ties and friendship but only to point out that a commitment to liberal democracy implies a commitment to rule-based, reliable state institutions that screen out most types of affect-based, reciprocal trust.

To proceed with the discussion of trust in the reliability and fairness of government agents, I consider an important case where such trust breaks down. When officials are corrupt, they betray the trust bestowed on them by the citizenry and act in the way that favors those who make payoffs and/or those with whom they have a reciprocal trusting relationship. Understanding the incentives for corruption and the ways it can be controlled, helps one see how government legitimacy might be accomplished without a moral transformation of the population.

C. Economizing on Virtue: The Control of Corruption

Untrustworthy elected officials and bureaucrats are frequently corrupt. They substitute private benefits for public responsibility. If officials are generally untrustworthy, ordinary people and businesses may believe that the only way to get what they need is through a payoff.

Furthermore, if most officials are known to be corrupt, people may also seek things to which they are not entitled, such as tax breaks or waivers of costly regulations. Officials in turn may create extra rules and regulations and contracting opportunities in order to profit personally. Politicians

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High income taxpayers lowered their payments, but it seems difficult to see this as a reflection of a loss of moral commitment. The authors make the following argument. If audited, one's ultimate tax liability will be positively

related to one's reported income because tax collectors are not perfectly informed. However, one is more likely to be

audited the greater one's underpayment. These effects pull in opposite directions. However, if the audit probability is one,

only the first effect operates (Slemrod, Blumenthal and Christian, 2001).

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As Gambetta (1988b:220) notes: "coercion exercised over unwilling subjects B who have not pre-committed

themselves to being prevented from taking certain courses of action or who do not accept the legitimacy of the enforcement

of a particular set of rights B while demanding less of *our* trust in others, may simultaneously *reduce* the trust others have

in us. It introduces an asymmetry which disposes of *mutual* trust and promotes instead power and resentment. As the high

incidence of paranoid behaviour among dictators suggests, coercion can be *self-defeating*, for while it may enforce

'cooperation' in specific acts, it also increases the probability of treacherous ones: betrayal, defection, and the classic stab

in the back."

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may demand payoffs in return for passing laws or issuing regulations, and they may even threaten to promulgate restrictive laws if not paid to desist. Corruption is a coping strategy in the face of untrustworthy, dishonest officials, but it may also be part of a conscious private-wealth-maximization strategy orchestrated by these same officials.

Paradoxically, a deeply corrupt regime usually operates with a high degree of reciprocal, affect-based trust. Because bribers and bribees are operating outside the law, they need to trust each other in order to maintain their relationships. They may design schemes that minimize the possibilities of betrayal, such as making payments only when corrupt services are delivered, or that limit the costs of betrayal, such as the use of middlemen. Nevertheless, the risks that one side will betray the other can be substantial so that links based on kinship or friendship can be important ways to lower the risk. The corrupt official is an untrustworthy and dishonest agent of the public interest but a trustworthy friend and relative.

To understand corruption one needs to clarify what is being bought and sold in a corrupt transaction. It will do little good simply to deplore the small number of trustworthy officials and the citizenry's willingness to pay. Instead, one needs to understand the incentives for making and accepting payoffs. Reforms can then be directed in two directions. First, one may reduce the opportunities and the net financial benefits of giving and receiving bribes and illicit campaign contributions. Second, one can try to shift the attitudes of politicians, public officials, and citizens away from personalized corrupt relationships toward the view that the state has obligations to the citizenry to provide fair and efficient service. For officials, this means replacing particularized, affect-based service delivery with fair and impartial state institutions. Officials become trustworthy agents of the state, not trustworthy friends and relations. For citizens, this means a willingness to demand more of the state than they have in the past. Thus this second reform direction involves both changes in public attitudes toward government and the creation of institutions that can channel public demands for government reform.

My aim here is not to provide a full analysis of the problem of corruption.

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Instead, I first

outline the major economic functions that corruption serves for those who pay bribes. Reforms within each category can reduce the incentives both for those who pay and for those who accept or demand payoffs. Such reforms take people's underlying psychology as given and ask how behavior can be modified. Second, I consider reforms designed to have a more general impact on the trustworthiness of all types of officials and on their accountability to citizens. I do not discuss the full range of possible reforms in government structure and accountability but concentrate instead on those that increase citizens' role in demanding change.

1. Economic Incentives for Corruption

All states, whether benevolent or repressive, control the distribution of valuable benefits and the imposition of onerous costs. The distribution of these benefits and costs is generally under the control of agents who possess discretionary power. These agents are either bureaucrats with obligations to superiors or politicians who are meant to be agents of the public. Private individuals and firms who want favorable treatment may be willing to pay these agents. The problem arises from the fact that the payee is an *agent*. The agent is responsible to a principal whose goals will seldom line up with those of the "paying customer." Payments are corrupt when they are illegally

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For a more comprehensive view see Rose-Ackerman (1999).

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made to public agents with the goal of obtaining a benefit or avoiding a cost. These payments are not merely transfers. Like legal prices, they affect the behavior of both payers and recipients. They violate the trust placed in officials by their superiors and the general public.

Six broad, sometimes overlapping, categories capture the most important incentives for corruption. (1) The government may be charged with allocating a scarce benefit to many individuals and firms using legal criteria other than willingness to pay. (2) Officials in the public sector may

have little incentive to do their jobs well, given official pay scales and the level of internal monitoring. (3) Private firms and individuals seek to reduce the costs imposed on them by governments in the form of taxes, customs duties, regulations. (4) Governments frequently transfer large financial benefits to private firms through procurement contracts, privatization, and the award of concessions. (5) The judiciary has the power to impose costs and transfer resources between litigants. (6) Elected politicians can accept illegal payoffs both to fund their campaigns and to enrich themselves. They may, in turn, pay off voters.

a. Payments that equate supply and demand

Governments frequently provide goods and services for free or sell them at below market prices. In modern welfare states, including the post-Socialist countries, these services include such basic services as health care and education. Corruption of this type has several possible efficiency consequences. First, the goals of a program may be undermined if the services are provided only to those with the highest willingness to pay, excluding the needy or the well-qualified. Corruption in health care and subsidized housing provide two good examples. Second, corrupt markets are likely to differ from open competitive ones. Because of the illegality of bribery, information about bribe-prices will not be well publicized, and prices may be sticky because of the difficulty of communicating market information. Some potential participants may refuse to enter the market because of moral scruples and fear of punishment, and public officials may themselves limit their dealing to insiders and trusted friends. A corrupt system may be not only less competitive but also more uncertain than a legal market.

Furthermore, many officials can exercise monopoly power by determining the quantity of services provided. The corrupt official, like a private monopolist, may seek to supply less than the officially sanctioned level or seek to provide an increased supply if the government has set the supply below the monopoly level. Officials may have sufficient monopoly power to create scarcity even when the service is not scarce, either by delaying or withholding benefits unless paid bribes. Finally, bribes are frequently paid to permit unqualified people and firms to obtain a benefit. Students might pay to alter the results of university admission tests, or people might pay doctors to declare them eligible for disability payments. Andre Shleifer and Robert Vishny (1993: 601) call this case “corruption with theft”. Clearly, the unqualified will often have the highest willingness to pay since they have no legal way to obtain the service.

Incentive-based reforms in this area would involve the elimination of policies with no justification based on efficiency or distributive justice, the streamlining of other programs to limit discretion, and the introduction of legally-imposed fees to allocate scarce benefits where allocation to high bidders will not undermine program goals. Sometimes the administrative system can be reorganized to limit the monopoly power of officials and give citizens more choices.

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Alternatively,

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These ideas are developed in more detail in Rose-Ackerman (1999:39-52)

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corruption may arise because the government’s commitments, to universal health care, for example, are inconsistent with the level of funding it provides. The state must either cut back its stated commitments or increase spending at the same time as it reform the delivery system.

b. Bribes as incentive payments for bureaucrats

Bribes can be incentive payments for good service. Firms and individuals may pay to avoid delay. Payoffs to those who manage queues can be efficient since they give officials incentives both to favor those who value their time highly and to work quickly. The corruption of tax collectors may be efficient so long as the government can impose a binding overall revenue constraint. But the conclusion that the routine corruption of those who manage queues and collect taxes can be tolerated is extremely problematic. First, the result only follows if officials have limited discretion. Second, noncorrupt alternatives exist that avoid the costs of illegal payment systems. Queues can be managed through a set of differential fees. Revenue collection offices are sometimes permitted to retain a portion of the taxes they collect.

Firms pay bribes to obtain certainty, but the certainty may be illusory since corrupt deals can not be enforced. Individualized attempts to reduce uncertainty can, at the level of society increase uncertainty and unpredictability. Ingrained corruption can also hold back state reform. Firms that have benefited from payoffs and their allies within the state apparatus will oppose reform efforts designed to make the economy more open and competitive.

In short, although bribes can sometimes be characterized as incentive payments to public officials, a policy of active tolerance is likely to be destructive of the prospects for long term reform. Payoffs that are widely viewed as acceptable should be legalized, but not all “incentive pay” schemes will actually improve bureaucratic efficiency. Instead, the civil service system of recruitment, pay and promotion may need reform to align the incentives of officials with the goals of the programs they are administering (Rose-Ackerman 1999: 69-88). Furthermore, law enforcement may need to be reformed to improve its deterrent effect. Too often, enforcement is used as a way to punish political opponents or is otherwise ineffective as a deterrent (ibid.: 52-58)

c. *Bribes to Reduce Costs*

Governments impose regulations, levy taxes, and enforce criminal laws. The economic impact of bribes paid to avoid regulations, supersede the criminal law, and lower taxes depends upon the efficiency of the underlying programs that are subject to corrupt distortions. Given an inefficient legal framework, payoffs to avoid regulations and taxes may increase efficiency. This defense of payoffs is sometimes espoused by investors in the developing world and the countries in transition. It is a pragmatic justification that grows out of frustration with the existing legal order. It attempts to justify corruption carried out to obtain benefits to which one is not legally entitled. But individuals and firms are not only obligated to obey laws that they judge to be efficient and just. In the United States, industry’s response to environmental, health, and safety rules that it finds burdensome is not generally to bribe officials or enlist the help of criminals to evade the law. Instead, firms work to change the laws in Congress, make legal campaign contributions, lobby public agencies, and bring lawsuits that challenge laws and regulations. One can complain about the importance of wealth and large corporations in American political life, but, at least, well-documented lobbying activities and campaign contributions are superior to secret bribes in maintaining democratic institutions.

Reform efforts here can involve the same kinds of programmatic and administrative reform

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outlined above, but they can also involve efforts to change attitudes and to provide transparent legal routes for efforts to influence political and bureaucratic processes.

d. *Payments to obtain major contracts, concessions, and privatized firms*

Corrupt payments to win major contracts, concessions, and privatizing companies are generally the preserve of large businesses and high level officials. Such payoffs appear analogous to cases in which government disburses a scarce benefit, only this time the value of the benefit is valued in many million, not a few thousand dollars. In the post-socialist states the most important recent cases involve the privatization of the entire capital stock of the economy. This is a massive, ongoing effort that produced many allegations of corruption and insider deals involving high level politicians and officials.

In such cases, politically-connected officials may be effectively insulated from prosecution and can thus be less restrained in their corrupt demands than low-level bureaucrats. Second, those who obtain benefits through the bribery of low-level officials are rarely thought to behave inefficiently once the benefit is obtained. In contrast, for major deals corruption introduces uncertainties into the economic environment that may give the corrupt firm a short run orientation. There are two reasons for this. First, the firm may fear that those in power are vulnerable to overthrow because of their corruption. A new regime may not honor the old one’s commitments. Second, even if the current regime remains in power, the winner may fear the imposition of arbitrary demands once investments are sunk. Competitors may be permitted to enter the market, or the contract may be voided for reasons of politics or greed.

In response to corruption in contracting, internal reforms ought to include an overhaul of the privatization and procurement processes (Rose-Ackerman 1999: 42-44,59-68). In particular,

reforms should limit the influence of top politicians and their allies. Other efforts need to focus on the bribe payers, especially global firms. Some of the same firms that engage in legal political activities at home feel less constrained about violating laws on campaign funding and bribery in developing and transitional economies. Thus considerable current effort has focused on encouraging the international business community to develop norms of honesty and a lack of tolerance of bribery by their employees. In addition to efforts that are essentially hortatory, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is in the process of ratification and includes some follow-up monitoring. A number of Central European countries have signed this treaty, and most of those have ratified it. The international movement to limit corruption in international business spearheaded by the nonprofit Transparency International is clearly an effort to change the level of honesty of global corporations.

e. Buying Judicial Decisions

Judges have power to affect the distribution of wealth through their decisions. Thus like any public official with similar powers, they face corrupt incentives. Corrupt incentives are higher when judges are underpaid and overburdened and have poorly equipped and understaffed offices. Even if judges are not themselves corrupt, clerks in charge of assigning cases and advising judges may demand or accept bribes. Payoffs can be a way to speed up decisions when delays and backlogs are high. Bribes can also influence decisions in one's favor. Occasionally bidding wars have been reported in which parties on opposing sides compete in making payoffs.

When the judiciary is viewed as corrupt, this introduces uncertainties into the business climate. The law in the books may not mean much, and those with disputes will avoid bringing them

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before the courts unless they are certain to be the high bribers. Individuals with disputes find ways to circumvent the court system by hiring private arbitrators and using other methods, such as the protection provided by organized crime. In eastern Europe and Russia some murders of businessmen and bankers appear to be execution-style killing that are part of a brutal private system of "dispute resolution." Thus reform of the judiciary can have spillover effects for the level of honesty and trust in other sectors of the economy. Thus it needs to be a priority although it cannot be done in a vacuum. If substantive laws are poorly drafted and impose arbitrary constraints, individuals and firms may avoid using the courts. If the police and prosecutors are understaffed and corrupt themselves, then the courts will be of little help in reforming the criminal justice system.

f. Buying Political Influence and Buying Votes

Democratic political system must find a way to finance political campaigns without encouraging the sale of politicians to contributors. Governments have drawn the line between legal and illegal gifts in quite different ways, and legal frameworks vary greatly in the limits they place on quid pro quo deals by politicians. This is not the place to debate the pros and cons of alternative methods of campaign finance. All I want to do here is to suggest that campaign finance legislation ought to be a priority for the new democracies in Central and Eastern Europe.

Even entirely legal contributions from wealthy interests are a source of concern. The worry is favoritism. Groups that give funds to elected officials expect help in the legislative process. They may also expect special treatment on individual problems in dealing with the bureaucracy or in seeking privatizing firms and public contracts. The electoral process can discipline politicians to represent the interests of their constituents, and voters may penalize candidates who seem too deeply beholden to special interests. But voters cannot act unless they know both how their representatives behave and who has given them money. Legal gifts can have a corrupting effect if they need not be made public and if the quid pro quo is not itself obvious to voters.

Conflicts of interest are another problem that needs to be addressed. Potential conflicts exist whenever a politician or a member of his or her family or staff has an ownership interest in a firm that does business with the government or that can benefit from state policy. No corrupt payoffs or campaign donations may occur, but the risk of favoritism is the same. Politicians may seek to benefit businesses in which they have a financial interest. Conversely, they might use their influence in a private business to further their political careers.

Self-dealing has only recently raised questions in some countries. In new democracies,

conflicts of interest have not been a high priority for reformers. Yet if uncontrolled, politicians with widespread business interests can undermine governmental legitimacy as surely as those who do the bidding of large contributors. In the former socialist countries, such as Russia and Poland, the problem is particularly acute because many newly privatized firms are controlled by their former managers who often remain active in politics (Collins 1993: 326). According to one commentator, in Russia “many government officials simply do not grasp that self-enrichment while in office is a crime” (Coulloudon 1997: 73). In the Ukraine 150 businessmen and bankers were elected to the Parliament in 1998, many with economic interests that will be affected by the legislation they consider (“Ukraine’s Businessmen--A New Political Class,” *Financial Times*, April 17, 1998). Although some applaud this development as a way of assuring independence from the executive, it creates obvious conflict-of-interest problems when regulatory and tax laws are at issue. At a minimum, disclosure of politicians’ financial interests and those of their families is

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necessary for democratic accountability. Similarly, relations with lobbyists and wealthy interests should be disclosed so that voters can judge whether their representative’s behavior has been affected. Direct restrictions on outside earnings and lobbying activities are more controversial, but will be most important in those political systems where the electorate is less educated and informed. Legal rules can be less restrictive the more effective are elections in assuring accountability. The problem of money in politics is not limited to pressures on politicians. On the other side of the equation are inducements given to voters. A particularly intractable form of political corruption occurs when politicians accept illegal campaign contributions and then use them to pay off the voters on an individual basis. Voters may not object to the politicians’ methods of campaign finance because they benefit from the largesse of candidates. The personalized nature of the benefits given to voters by incumbents can make it particularly difficult for credible opposition candidates to arise. The nation is nominally a democracy, but the constraints imposed on politicians’ acceptance of payoffs are attenuated. Instead of a system based on democratic principles, the government is a structure of mutual favor giving that benefits those with the most resources and the most political power.

2. Citizens as Monitors of the State

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Now let us turn from the specific causes of corruption and the accompanying sectoral reforms. Instead, consider how the public can be a check on corrupt public officials outside of the electoral process. These reforms depend upon the existence of citizens who believe that it is their duty to demand honest and trustworthy government. Martyrs and saints are always in short supply, but less altruistic people may be willing to engage in civic activities if the private costs are not too high and the promised social benefits are large.

Citizen monitoring can only operate if the government provides information on its actions. Citizens also must have a convenient means of lodging complaints and be protected against possible reprisals. Of course, government officials must also find it in their interest to respond to complaints. There are two basic routes for public pressure -- collective complaints by groups of citizens concerning general failures of government and objections raised by particular individuals against their own treatment at the hands of public authorities. Both collective and individual routes can help spur the reform of governmental structures. In this section I briefly canvass the features of an institutional environment designed to facilitate public accountability outside the ballot box. The package includes public information provision, a free media with weak libel law protection for public figures, laws that facilitate the establishment and funding of nonprofits organizations, and avenues for individual complaints.

a. Information and Auditing

A precondition for either type of complaint is information. People need to know what they can expect from honest officials and how to make a complaint. In many cases such informative material represents the first time ordinary citizens have ever heard that they have rights against public authority. In addition to basic information on official standards of behavior, citizen activists need more comprehensive information.

Government must tell them what it is doing by publishing consolidated budgets, revenue collections, statutes and rules, and the proceedings of legislative bodies. Financial data should be

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Derived from Rose-Ackerman (1999: 162-174)

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audited and published by independent authorities such as the General Accounting Office (GAO) in the United States or the Audit Commission in Great Britain. Sometimes governments collect a good deal of information on their own operations but do not routinely make it public. In such cases statutes that give citizens a right to gain access to this information can be an important precondition for effective public oversight. These laws permit citizens to obtain government information as members of the public without showing that their own personal situation will be affected. Exceptions protect privacy, internal memorandums, and the integrity of ongoing prosecutions. But a freedom of information act has little value if government does not gather much information. Many countries must first put information systems in order, provide for the publication of the most important documents, and assure public access to other unpublished material.

b. The Media and Public Opinion

Even a government that keeps good records and makes them available to the public may operate with impunity if no one bothers to analyze the available information -- or if analysts are afraid to raise their voices. There are three routes to accountability. If the aim is to pressure government to act in the public interest, the role of both the media and organized groups is important. If the goal is government accountability to individuals, avenues for individual complaints must be established. In all three cases -- media, groups, individuals -- there is the problem of fear. If government officials or their unofficial allies intimidate and harass those who speak out, formal structures of accountability will be meaningless.

The media can facilitate public discussion if it is privately owned and free to criticize the government without fear of reprisal. Government can also keep the press in line through advertising, printing contracts, and payments to journalists. Another subtle form of control is to overlook underpayment of taxes by editors and media companies, retaining the possibility of prosecution as a threat.

In many countries restrictive libel laws give special protections to public officials. This is just the reverse of what is needed. Politicians and other public figures should be harder to libel than private citizens, not easier. They should not be immune from facing charges of corruption, and allegations of libel should be handled as civil not criminal matters. In this at least, the United States provides an outstanding example with a law that makes it more difficult to libel public figures than private individuals and that treats libel as a civil offense. Those in the public eye have assumed the risk of public scrutiny and have access to the media to rebut accusations.

c. Private Associations and Nonprofit Organizations as Agents of Change

A free media with good access to government information is not likely to be a sufficient check. The media may focus on lurid scandals and may have no real interest in reforms that would reduce the flow of corruption stories. Individuals and groups must push for change. Individuals face a familiar free rider problem. Information may be available, but no one may have an incentive to look at it. The scandals uncovered by investigative journalists may provoke outrage, but no action.

Nonprofit organizations can fill this gap and monitor government functioning.

Unfortunately, much research conflates the nonprofit sector with Robert Putnam's "civil society." This is a fundamental misunderstanding that has created considerable confusion. Putnam himself does not make this mistake, and in his discussion of social capital in the United States he goes out of his way to make clear that he is not much interested in nonprofits that survive on monetary

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donations and public subsidies and that rely primarily on paid staff. His interest is in volunteering and in the process of self-governance and inter-personal interactions that for him are the generators

of social capital (Putnam, 2000).

Putnam and his followers claim that volunteering in nonprofits builds trust which, in turn, builds democracy. Research using the WVS suggests caution in accepting this model. Membership in voluntary organizations played no independent role in determining the durability of democracy (Inglehart, 1997: 183, 188-194). Work by Dietlind Stolle (1998, 2001) and Eric Uslaner (2000-2001) also counsels skepticism. Stolle's survey work in Philadelphia, Berlin and Stockholm shows that the length of time spent participating in a particular organization did seem to build up "private social capital" between members of the organization. However, there was little or no spillover into general social capital as measured by generalized trust or civic engagement. In Sweden the result for some organizations was even negative. She also claims that self-selection can explain why some organizations, for example, church choirs, do seem to be composed of people who also have high levels of general social capital. Uslaner's analysis of survey work on the United States also demonstrates that membership in voluntary organizations does not contribute to generalized trust. In fact, if his results are to be believed, when one takes account of the simultaneous equation nature of the problem, involvement with church groups actually tends to decrease generalized trust although volunteering and charitable giving do have a positive influence. He also finds some degree of reverse causation. More trusting individuals are more likely to be involved in business and cultural groups and more likely to volunteer and make charitable contributions. Accepting this skeptical view of Putnam's claims, however, does not mean that the nonprofit sector is unimportant. Putnam ignores important functions that the sector can serve in a democracy.

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The nonprofit sector can play a direct role in helping to create a society where honesty and trust are the norm. Organizations with professional staff that are funded by members and wealthy donors can be of central importance in the development of an accountable democratic state and of a market economy that operates within certain standards of fair dealing. Putnam's singing clubs and bowling leagues are less important under this view than organizations such as independent schools, soup kitchens, shelters for the homeless, and environmental or human rights advocacy groups.

An NGO's role may be explicitly political or policy-oriented. It may support candidates for office or lobby for particular policies such as environmental control, consumer product safety, the prevention of drunk driving, agricultural subsidies, worker rights, oil industry tax breaks, and so on. Such groups may be grass roots membership organizations, but they are likely to need professional employees who focus on the political process. They need to raise funds from members or large donors. Citizens' initiatives at the local level operating with no national umbrella organization frequently arise in democracies, but if the issues they focus on are of widespread concern, they are likely to organize at a higher level for more effective pressure. Some groups are explicitly or implicitly associated with political parties, but many groups are non-partisan. These groups are a necessary part of democracy that can aid public accountability over and above the accountability provided by the ballot box. They are not primarily producers of generic social capital but are,

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See Rose-Ackerman (1996) and James and Rose-Ackerman (1986) for an overview of work in economics. Powell (1986) is a collection of essays on the nonprofit sector from a number of different disciplinary perspectives.

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instead, direct checks on state power.

If one accepts this argument for the nonprofits as advocates and monitors of the democratic process, then the state needs to make it easy to establish formal nonprofit organizations. Some governments, worried that nongovernmental organizations (NGOs) will be used for monitoring purposes, limit such groups or make it very costly for them to organize. Formal legal constraints may be high, and members may be subject to surveillance and harassment. For example, Transparency International, an international NGO committed to fighting corruption worldwide, has found that setting up local chapters can be difficult even if local people are eager to organize a

chapter. In some countries several years have passed without the chapter obtaining a formal charter. Once registered, nonprofits may face onerous formal reporting requirements. Another problem is cooptation by the state. Some nonprofits provide services such as health care, education, and housing. Their financing may be provided by the state or by aid funds administered by the state. Thus their very existence depends upon cooperation with public authorities. As a consequence, they may be reluctant to criticize officials openly. To avoid such tensions, an NGO that takes on an anticorruption mandate should avoid participation in service delivery.

The World Values Survey found that organizational membership may contribute to democratic change.

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One would like, however, to know more about how this happens. The sector's impact ought to depend upon the kinds of groups that attract members. My own hypothesis would be that policies that encourage the development of those nonprofits that interact with government can help institutionalize democracy but that nonprofits that simply build "social capital" through sports, recreation and cultural activities will not, on their own, have much impact.

d. Avenues for Individual Complaints

Fighting high level corruption requires national attention and private organizations willing to push leaders for change. In contrast, limiting low-level bureaucratic corruption is often in the interest of top officials who may try to enlist ordinary citizens in the effort. This can be done without organized citizen activity if individuals can lodge complaints easily and without fear that corrupt officials will take revenge.

Some bribes are made to get around the rules and others are made to get a benefit that should have been provided for free. Facilitating complaints will only help uncover the latter type of corruption. Bribes that permit illegal activities or that soften a legal regulation or tax assessment are unlikely to be revealed by private individuals and firms unless they have been arrested and are seeking to mitigate their punishment. In contrast, if bribery demands are a condition for obtaining a legal benefit, individuals may not go along if they can appeal to an honest forum.

Many countries have established Ombudsmen to hear complaints of all kinds, not just those related to malfeasance. These offices can help increase the accountability of government agencies to ordinary citizens. Hence they may generate a great deal of resistance from politicians and bureaucrats. Although this is regrettable, one should have modest expectations for an Ombudsman. These officials seldom uncover large scale systemic corruption and generally lack authority to initiate lawsuits.

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The list of organizations in the WVS ranges widely to include labor unions, political parties and professional associations as well as all kinds of community groups and organized nonprofits (Inglehart 1997: 396).

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Some public agencies have created "hot lines" for direct citizen complaints. This method will only be successful, however, if complainants can preserve their anonymity or do not fear reprisals. "Hot lines" must be more than just symbolic. Public officials--the Ombudsman, agency oversight units, or law enforcement agents-- must follow up on complaints in a visible way. At the same time, if the complaints concern individuals, the accused must have a credible way of defending against false accusations. Otherwise, an anticorruption campaign can degenerate into a collection of private vendettas with people enlisting the state to settle their private feuds.

3. Corruption and Government Reliability

Corruption is commonly associated with untrustworthy government officials. Its underlying cause is the search for private economic gain on both sides of the transaction. It represents a betrayal of public trust. Corruption can be controlled by lowering the benefits and raising the costs of particular corrupt transactions. But it can also be controlled indirectly by limits on political power and by changes in public attitudes toward the exercise of that power. This latter strategy involves giving people and groups a way to complain about poor government service provision. To facilitate

such activities, the government supplies information about its actions, the media and the public voice complaints, and private organizations and individuals push for public accountability. The goal is to increase governmental openness, leaving it more vulnerable to popular discontent. Thus many regimes, even nominally democratic ones, may view such policies with suspicion. They are, nevertheless, an essential check on corruption and on other forms of dishonest self-dealing that can arise if officials are insulated from popular oversight. One route to a more trustworthy state is the creation of institutions empowered to hold officials to account outside of criminal investigations for malfeasance.

D. Conclusion: Trust, Honesty and Corruption

The theoretical work suggests that some countries and sectors can descend into vicious cycles in which corruption, distrust, and dishonesty breed more of the same over time. Conversely, virtuous cycles can also operate in which trust and honesty build on each other. These patterns depend both on people's underlying attitudes and on calculations of self-interest broadly understood. My basic claim, based on both theory and empirical work in advanced democracies, is that attempts to produce generalized trust are not likely to produce large gains in terms of democratic performance and market functioning. Rather, the fundamental puzzle is how to create state and market institutions that are reliable and trustworthy at the same time as interpersonal relations based on mutual trust (or distrust) are kept from undermining these reform efforts. Strong and loving interpersonal bonds are, of course, valuable aspects of any society, but they can cause harm if they operate unchecked within political and bureaucratic organizations. As we will see in the sections that present data on the region, there appear to be widespread differences across the post-socialist countries in the functioning of the state and the market and in the degree of trust in public institutions and in other people. Most of the countries created out of the Soviet Union appear to suffer from much higher levels of distrust and corruption and much lower levels of functioning than many of the countries on the list for potential European Union membership. To the extent that some of countries are caught in vicious cycles while others are not, the reform recommendations will differ widely across the region.

II. The State and the Citizen in Post-Socialist Societies

Information about honesty, trust, and corruption in post-socialist countries can be divided

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into four categories: (1) trust in government and in other people, (2) individuals' perceptions of corruption in public institutions and their coping methods, (3) the role of the nonprofit sector, and (4) business dealings with each other and with state institutions. This section discusses the first two issues.

Roughly speaking, the data show a disturbing trend. The countries close to Western Europe are increasingly diverging from most of the countries of the former Soviet Union. Corruption and distrust of government are serious problems in Central Europe, and some sectors are especially dysfunctional, but, in general, the scale of the difficulties is much less than in the countries farther to the East. The evidence from some countries of former Soviet Union is that a vicious cycle may be at work where high levels of corruption, distrust and organized crime produce even higher levels in the future with a resulting undermining of state and market institutions. One important issue for future research is whether some of these countries may need to go through a second fundamental transition rather than being able to reform through small steps. In contrast, many of the countries in line for membership in the European Union appear to have problems that can be dealt with on a case by case basis.

Research on transition countries is complicated by the difficulty of knowing if the phenomena one observes are a temporary product of the transition itself or if they represent long-term attitudes and behaviors. Furthermore, we know little about whether the nature of the transition process has consequences for the type of society that will emerge. The available data cannot usually distinguish between short-term behavior and long-term shifts and has little to tell us about the feedback mechanisms that may operate to convert short-term practices into long-term characteristics for good or for ill.

There are, however, grounds for believing that the transition process has created special

strains. Democratization may breed corruption and crime if it is accompanied by a weakening of state controls and confusion among the population about proper behavior in a context of increased freedom.

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Similarly, especially in the transition economies, the shift from central planning to the market may lead to monetary corruption as a replacement for the system of administered benefits based on connections. The market replaces many former administrative decisions, but the state remains a source of important benefits and costs (Miller, Grødeland, and Koshechkina, 2001, Rose-Ackerman, 1994). A key issue for reformers is to identify particular sources of strain and to act to prevent transitional problems from producing major long-term distortions.

Several groups of researchers have carried out surveys in Eastern and Central Europe to assess public attitudes, beliefs, and behavior. The work considers both citizens' views of democracy and their attitudes toward and experience with public officials. The work consists of focus groups, in-depth interviews, and questionnaires. I will concentrate mostly on the questionnaires, but the results seem broadly consistent across methodologies. There are two major sources of questionnaire data. The first, "New Democracies Barometers," have been carried out by the Paul Lazerfeld Society, Vienna, and most fully analyzed by the Centre for the Study of Public Policy (CSPP) at the University of Strathclyde in Glasgow, Scotland, under its director Richard Rose. The latest survey covers eleven countries in Eastern and Central Europe. Comparable surveys

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See Verheijen and Dimitrova (1997) on the special problems facing the civil service in post-socialist countries.

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have also been carried out for Russia.

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The second collection of data from questionnaires, interviews and focus groups has been analyzed by William Miller, Åse B. Grødeland, and Tatyana Y. Koshechkina (2001). Most of their work is based on data gathered between the end of 1997 and early 1998 from Bulgaria, Czech Republic, Slovakia, and Ukraine. The countries were chosen to represent a range of experience with the Czech Republic and Ukraine at opposite extremes and Slovakia and Bulgaria taking up intermediate positions along an axis measuring the degree of reform. Their work focuses on corruption, but it has broader implications for understanding people's perceptions of and experience with public officials.

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We know much less about the countries of Central Asia, but World Bank research on poverty, corruption, and state capture includes some material on that region (Hellman, Jones, and Kaufmann, 2000; World Bank 2000a, 2000b).

A. Citizens' Views of Government

The survey evidence indicates both positive and negative views of the new regimes. The most systematic data have been gathered countries on Central and Eastern Europe including Russia. One way to see the range of opinion is to consider answers to the "Barometer" surveys for Russia and eleven countries in transition in Europe.

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In 1998 these surveys showed that a large majority, usually between 70 and 90 percent, feel freer today than under the previous regime (Rose and Haerpfer, 1998a: 54-55, Rose and Shin, 1998:11-12, Rose 2000:23-24). At the low end of the spectrum are Belarus, Ukraine, and the countries created out of the former Yugoslavia, but even in those countries a summary measure indicates that a majority thinks that freedom has increased along at least three of the five dimensions considered. Of course, these answers reflect both the current situation and the repressiveness of the old regime which was relatively more open in the former Yugoslavia compared with other East Bloc countries. Thus Romania experienced the largest changes in freedom although few observers would characterize it as most free relative to other

countries in the region.

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More information is available at <http://www.cspp.strath.ac.uk>.

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Their most recent work, along with other related survey work, and most of the underlying data are available at: http://www.nobribes.org/rc_main.shtml, a web site for the Anti-Corruption Network for Transition Economies.

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Russian data are from the seventh New Russia Barometer and consist of a nationwide samples of almost 2,000 people undertaken by VCIOM, the oldest Russian survey institute. The survey for the New Russia Barometer VII

was carried out between March 5 and April 15, 1998. This is the survey used in cross-country comparison. However,

two additional surveys have been carried out in Russia, VIII in December 1999 and IX in March 2000.

Their results will

be reported when they reflect changes in attitudes or new information obtained from newly asked questions. The fifth

New Democracies Barometer survey of the Paul Lazerfeld Society in Vienna was conducted in 1998 in 12 countries, 11

post-socialist countries and Austria using a nationwide representative sample; a total of 12, 643 people were interviewed

(Rose and Haerpfer 1998a:7-9, Rose and Haepfer, 1998b: 17-19, 64-67). Both sets of data have been analyzed by

Richard Rose and his colleagues at the Centre for the Study of Public Policy at the University of Strathclyde, Glasgow.

The former socialist countries included in survey V are Bulgaria, Czech Republic, Slovakia, Hungary, Poland, Romania,

Slovenia, Croatia, Yugoslavia, Belarus, and Ukraine.

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Details for the New Democracies Barometer V are in Rose and Haerpfer, 1998a:55-58. The relevant questions concerned freedom of speech, freedom to join organizations, freedom to travel, freedom to be involved in

politics or not, and religious freedom. The question on which there was the most cross-country variation concerned

freedom to travel and live where one wants. Fifty-one per cent of people in Yugoslavia. 23% in Ukraine, 14% in

Belarus, and 13% in Croatia thought that things were worse along this dimension compared with single digit responses

elsewhere (0% in Poland to 8% in Slovenia). For the other four questions those saying that the present situation was

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In spite of their perception of increased freedom, citizens are critical of the process of transition and of state institutions and officials. They are skeptical about their ability to influence government decisions compared to the old regime. Forty-five percent of Russians and 46% of people in the other countries surveyed say there is no difference between regimes on this score. The contrast between Russian and Central Europe shows up when people are asked to compare the present with the communist past. In the New Democracies study 33% think their influence has increased compared with 20% who think it has decreased. The Russians are much more alienated with only 9% believing that their influence has increased and 46% saying it has decreased.

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More evidence of citizens' skepticism comes from a survey by William Miller and his associates. They asked who had benefitted most from the transition. Few claimed that ordinary

people were the primary beneficiaries. The Czechs and Slovaks were particularly likely to single out politicians and officials while the Bulgarians and the Ukrainians emphasized the mafia. A majority believe that politicians behaved worse at present than under Communism, and a somewhat smaller number felt the same about the officials that they interact with on a day-to-day basis. Only in Bulgaria did a majority see improvements (Miller, Grødeland, and Koshechkina 2001:56).

To gain a fuller understanding of the situation in the post-Communist countries one needs to go “beyond the traditional focus on citizens’ trust in the government in general, ... [to study] the causes and consequences of citizens’ trust in specific political actors, organizations, or institutions (Levi and Stoker, 2000:498-499).” Unfortunately, the New Democracies Barometers and the New Russia Barometer simply ask people about their trust in various institutions without checking to be sure that trust means the same thing to individuals in different countries.

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Nevertheless, whatever

their weaknesses, these survey do provide suggestive data on public attitudes.

The Barometer surveys indicate widespread skepticism about the trustworthiness of a range of different professions and institutions both state and non-state. The list includes both major public institutions such as “parliament” and “the president” and other groups with which the average citizen will have had direct dealings such as the police and trade unions. People were asked to rank institutions on a scale of 1 to 7 with 1 representing great distrust and 7 great trust. Thus the neutral level is 4. Putting the 1998 answers from the New Democracies Barometer V and the Russian Barometer VII together one sees some variation across countries and institutions (political parties are at the low end everywhere and the military is at the high end), but, in general, most institutions are below the median score (Table 1). About a quarter of the citizens in the survey were neutral with a third expressing trust in institutions and less than one-half in the distrusting category (Mishler and Rose, 1998: 13, 33; Rose and Haerpfer, 1998a: 59-63; an earlier survey is analyzed in Mishler and Rose, 1997:422-427). Especially in Ukraine and Russia, a vicious cycle may be a real risk in which distrust breeds more distrust, but that the ultimate outcome is by no means certain.

worse never rose above single digits in any country.

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In the 2000 Russian survey 52% think their influence has stayed the same while 19% think it has increased and 28% think it has decreased (Rose, 2000:23). Thus there has been a fairly marked shift in favor of a belief in political

empowerment. Once again, democratizing countries with more repressive old regimes show the biggest perceived

improvement with 45% of Bulgarians and 61% of Romania seeing an improvement. The sense of stasis is highest for the

former parts of the Soviet Union (Rose and Haerpfer, 1998a:56, Rose and Shin, 1998:19, Rose, 2000: 23).

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Levi and Stoker (2000: 499) criticize the New Democracies Barometers analyzed by Richard Rose and his associates in this regard.

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Ukrainians and Russians express the lowest level of trust in political parties, the parliament and the president among the nations surveyed. They are also particularly distrustful of private enterprise and trade unions.

Table 1 here

However, some observers claim that trust in institutions is low in the United States and Western Europe as well. In the United States trust in the federal government has fluctuated since 1958, but the overall trend is downward. Trust in government peaked at about 75% in 1966 and reached a low of 20% in 1995. In 1999 it stood at about 40% (Levi and Stoker 2000: 478). Secular declines in trust in government have been found for Sweden and Britain, but this is not true of all other countries in the EU (Levi and Stoker 2000: 482-483, Rothstein, 2000). In spite of these declines, trust in particular political and social institutions was much higher in Western Europe than in Eastern Europe except for the military, and interpersonal trust was much lower in the post-

Communist countries (Inglehart and Baker, 2000: 34-35; Mishler and Rose, 1997:428-429).

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The Barometer surveys also asked whether people expected to be treated fairly by specific types of public and private officials. It is instructive to compare the results for Czech Republic with those for Ukraine and Russia. Table 2 shows the striking differences across countries although the results are difficult to interpret because it is not obvious that “fair treatment” has the same meaning in different countries. Notice that Russians view banks as much worse than the police and have about the same view of local groceries as they do of the police. The police are a particular problem for Ukrainians. A large majority of Czechs expect to be treated fairly by all the institutions in the survey. One would like to be able to compare expectations of fairness with “trust” in these institutions as indicated in table 1, but unfortunately, the survey does not permit this except for the police. Other research, however, suggests that those with expectations of fair treatment have a relatively high degree of trust in government.

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Focusing on the police, the Czechs, who mostly expect fair treatment by the police, are much more trusting of them than Russians and Ukrainians. Notice, however, that in all countries there are people who do not trust the police but still think they will probably be treated fairly by them. At a minimum, the proportion in that category is 30% in the Czech Republic, 13% in Ukraine, and 27% in Russia. One wonders what this combination of replies indicates. Are these people who distrust the police but use a combination of corruption, connections and persuasion to get what they need? It would be worthwhile to try to understand in concrete terms what it means when people claim to distrust an institution that they expect to treat them fairly.

Table 2 here

B. Coping Strategies

Part of the transition to democracy ought to be a change in the way citizens react to poor treatment by public officials. People should begin to see government as having obligations to citizens and should become more willing to complain if treated poorly. In the 1998 Barometer survey, four-fifths of Czechs and three-quarters of Russians and Ukrainians do not wait passively. Their responses vary. Czechs are inclined to turn to the market or push bureaucrats hard. Russians

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When Austria was compared with the Czech Republic, Hungary, Poland and Slovenia in 1998, the most striking differences were the much higher levels of trust in the courts and the police in Austria and Austrians greater

distrust of the media (Rose and Haerpfer 1998a: 92-93).

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Miller, Grødeland, and Koshechkina (2001:90).

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and Ukrainians are more likely to pay a bribe or use connections (Table 3)(Rose and Haerpfer, 1998a: 96). The focus groups conducted by Miller, Grødeland, and Koshechkina (2001:93-132) provide a similar picture although they do not include the option of market purchase. Some citizens in all three countries are willing to use legal methods to obtain what they need from the public sector.

Table 3 here

Ordinary people view corruption as a continuing problem. In Russia 74 percent think corruption among national government officials is worse now than under communism. In Ukraine the number is 87% and in Central and Eastern Europe 71% held this view. In Poland and Slovenia 52% and 58% thought that corruption had increased. Notice that these are also the two countries where GDP in 1997 had surpassed 1990 levels (Rose and Haerpfer 1998a: 32-33, Rose and Shin, 1998:11-13). In general, there is a rough negative correlation across countries between the proportion of those surveyed who think that corruption has increased and the share who expect to be treated fairly by officials.

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These responses indicate both that the countries in the former Soviet Union suffer from the most serious problems of corruption and government functioning but that the rest of the former East Bloc should not be complacent.

Most people view corruption negatively even in countries where it is widespread. In the four countries studied by Miller, Grødeland, and Koshechkina, nearly 60% view corruption as bad for the country (69% in the Czech Republic) with the rest believing it is bad for the country but unavoidable.

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However, answers to a related question indicate a sharp regional divergence. The Czechs and the Slovaks generally disapprove of a system where officials sometimes accept presents and favors (91% and 81%) while 59% and 52% of Bulgarians and Ukrainians feel this way (Miller, Grødeland, and Koshechkina, 1998). This difference may reflect underlying “cultural” differences, but it could just as well indicate citizens’ beliefs about the quality of government. People may prefer a more “flexible” system of official behavior if they see the underlying rules as restrictive, arbitrary and unclear. However, people do recognize that systemic corruption can encourage

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Social Structure, Collective Action, and Corruption: Theory, and Evidence from India

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Corruption often creates a collective action problem: several citizens or firms may each have an incentive to pay bribes in an effort to obtain preferential treatment, but they would all be better off if they could mutually commit not to pay bribes. If, however, they can sanction each other in other games, then by strategically “linking” the games they may be able to escape this “briber’s dilemma”. Accordingly, we argue that the level of corruption will be lower in societies with an “integrated” social structure, in which interactions are frequently short-lived and single-stranded, and individuals interact with different people for different purposes, than in a “segmented” society in which people tend to engage in stable, multi-stranded informal interactions within close-knit groups. An empirical test using Indian data supports the model over several alternative hypotheses about *how* social structure might affect the quality of government.

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1 Introduction

Cross-country regression studies have found that aspects of a society’s “informal rules” - variables such as “social capital” (Knack and Keefer 1997), “cultural values” (Licht et al. 2003), or ethnic heterogeneity (Easterly and Levine 1997; La Porta et al. 1999), are correlated with measures of **corruption** and bureaucratic inefficiency. Yet the cross-country regression approach reveals little about *how* these factors affect the quality of government in particular settings. So, because most of these social and cultural variables would appear to be exogenous, it is hard to derive policy implications. This paper explores one way in which social structure (which is one aspect of a society’s “informal rules”) can affect the quality of

gov-ernment, and tests the hypothesis in a way which enables us to reject alternatives. The basic idea is as follows: suppose that a government official allocates a fixed rent among several “clients” (which might be individuals, firms, villages, or ethnic groups, for example, depending on the context). The official can either allocate the rent according to formal policy rules, or he can offer the clients preferential treatment in exchange for bribes. If he is corruptible, then the clients face a collec-tive action problem (a “briber’s dilemma”): if they all pay bribes, they will all end up, on average, worse off; nevertheless, each has an incentive to pay bribes. This paper’s main theoretical point is that their ability to escape from such a dilemma may depend on the amount of informal social and economic contact between them in other games. For exam-ple, in the simplest case, suppose that two individuals compete for a rent allocated by an official, and that they also “trade” with each other in a technologically unrelated game. Then, if the trade relationship is sufficiently valuable, their desire to avoid a breakdown of trade can enable them to mutually commit not to pay bribes, by strategically linking the games. More generally, even if those caught in a briber’s dilemma do not trade with each other directly, third-party (community) enforcement

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For example, Mauro (1995:693) finds in a cross-country study that “ethnolin- guistic fractionalization” (the probability that two randomly selected individuals are of different ethnicities) is significantly correlated with **corruption** and government inefficiency.

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may enable them to “trust” each other. Therefore, we will argue that citizens’ ability to overcome **corruption** may depend on the kind of so- cial structure in which they are embedded. We distinguish between an *integrated* social structure, in which interactions are frequently short-lived and single-stranded, and individuals interact with different people for different purposes, and a *segmented* society in which people tend to engage in stable, multi-stranded informal interactions within relatively close-knit ethnic or kinship groups. We will show because individuals can make more extensive use of third party enforcement in an integrated society, the level of **corruption** will be lower. For empirical support, we focus on public administration in India. Various potential explanations are discussed for the extreme rapidity with which government officials are transferred between posts. Fre-quent transfers are generally regarded as a symptom of **corruption** and political instability. Accordingly, a number of possible **theories** might predict that both **corruption** and transfer frequency would be lower in more integrated societies. However, in an incomplete-information ex-tension of the model, we show that this paper’s argument, while still predicting that social integration will reduce **corruption**, also reveals the surprising possibility that it may increase transfer frequency. The intu-ition, roughly, is that social integration reduces the level of **corruption**, but does so by enabling the collective action which can lead to corrupt officials being transferred. Thus, by examining how social integration affects transfer frequency, we can empirically test between alternative **theories** about *how* social integration might reduce **corruption**. This paper departs in several ways from previous approaches to studying **corruption**. Most of the theoretical literature treats corrup-tion as a principal-agent problem between “the state” and government officials, focusing primarily on the state’s optimal choice of monitor-ing intensity, incentives and sanctions to constrain officials’ behavior. 2 In contrast, this paper emphasizes that monitoring of officials is often carried out by the *clients* (those affected by the officials’ decisions), through complaints to their political representatives, rather than by the state itself directly. The focus in this paper is on how interac-tions among these clients can affect the efficacy of this monitoring, and thereby affect officials’ incentives to engage in **corruption**. 2 For example, Becker & Stigler (1974); Banerjee (1997).

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The “briber’s dilemma” central to the model is essentially a modified “rent-seeking” contest. There is a substantial literature investigating the properties of such contests (see Nitzan 1994 for a survey). In terms of this literature, this paper’s main innovation is to use a linked-game approach to investigate how relationships among the clients in *other* games can help them to overcome their briber’s dilemma. The sociological contrast between traditional, segmented societies, in which trust is generally limited to ethnic or other local groups, and modern, integrated societies, in which mutual interdependence can act as an

important source of more generalized trust, goes back at least to Durkheim (1997 [1893]). Greif (1994) has investigated the effects of social structure in the context of medieval trade. There is also a small literature which attempts to explain the link between social structure and the quality of government. This literature has predominantly fo-cused on political struggles over policy *choice*. For example, Alesina et al. (1999) model a situation in which members of different ethnic groups have conflicting preferences over public policies, which, under a majority voting rule, leads to lower provision of public goods. This paper's argument is complementary; taking policy *choice* as given, we emphasize instead the impact of social structure on the quality of policy *implementation* - in particular, on the level of bureaucratic **corruption**. Political scientists including Putnam (1993) have also studied the relationship between social structure and the quality of government. Putnam's argument that a "civic" society improves the quality of gov-ernment is part of a large and diverse literature which explores state-society relations using the rather nebulous concept of "social capital". This paper can be seen as modelling how a particular form of social capital (social integration) can improve the quality of government by facilitating (possibly implicit) agreements to collectively resist corrup-tion. In this, it builds on Weingast's (1997) argument that self-enforcing agreements among citizens are necessary to deter government trans-gressions, adding that such agreements are facilitated by an integrated social structure. The empirical approach taken here also differs from previous studies in several important respects. In empirical studies of **corruption**, the dominant approach has been to carry out cross-country tests based on subjective **corruption** indices. However, it can be hard to draw policy 3

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lessons from such studies. Both formal rules and informal rules (in-cluding social structure) vary greatly across countries, so **corruption** in different countries can have very different causes, forms, and effects, and (if formal laws are badly designed) can even be beneficial. Therefore, Cross-country empirical work... is of little use in designing anti-**corruption** strategies... In fact, it is not even clear what it means for a country to rank highly on a **corruption** index... The sur-veys give no information that would help one understand their underlying meaning. (Rose-Ackerman 1999:3-4) In contrast, this paper focusses on the states of India (many of which are larger than most countries), where a relatively uniform formal sys-tem interacts with diverse cultural and social environments.

Secondly,

unlike almost all the empirical literature on **corruption**, we do not rely on subjective **corruption** survey indices to measure **corruption**. Instead, our variables of interest are the frequency with which government officials are transferred between posts, and the number of riots. Clearly, this will give us some explaining to do, but the transfers data are ob-jective. And finally, "informal rules" are generally very hard to change, so in terms of policy prescriptions, rather than attempting to "build so-cial capital", a more realistic goal is to try to design formal rules which will complement existing informal rules. For this purpose, we need to know not just *whether*, but also *how* social structure affects the level of **corruption**. As we will see, focussing on transfer frequency, rather than a straightforward proxy for **corruption**, will enable us to address this issue.

This paper proceeds as follows. The next section presents a sim-ple two-client model which formalizes the basic argument that infor-mal contact in other games can enable clients to more easily escape a Briber's Dilemma. Section 3 extends the model to the case of a large population, highlighting the effect of social structure on corrup-tion. Section 4 gives some illustrative examples. Section 5 discusses public administration in India, and generates a number of contrasting hypotheses about the relationships between social integration, corrup-tion, and transfer frequency. Section 6 explains why riots are used as a proxy for social segmentation in the Indian context. Section 7 describes

³ Svensson (2003) is a recent exception to the cross-country approach.

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the data, and empirically tests the hypotheses generated in section 5. Section 8 concludes. 2 Model (Complete Information) This model uses an infinitely-repeated game to show how patterns of interaction among the clients of a bureaucracy can affect officials' incentives. We employ the concept of *strategic linkage*: when the same individuals encounter each other in several different repeated games, they can make their actions in one game contingent on their opponents' actions in another game (Bernheim and Whinston 1990). In this way, they can "pool" the incentive constraints across games, so that the threat of a breakdown of cooperation in one game can enable cooperation to be more easily sustained in another game. Consider a situation in which a government official allocates a rent R between two "clients", whom we label x and y . The official cannot himself consume R . 4 All players are risk-neutral, and discount future payoffs at a rate δ . Assume that government policies (formal rules) specify criteria which determine the clients' entitlements to portions of the rent, but these criteria can be properly applied only by the (expert) official, so the actual entitlements are a random variable observed only by the official. For simplicity, assume that if there is no policy distortion, each client's expected entitlement is $R/2$.

. This fact is common knowledge. The stage game proceeds as follows. First, the official chooses whether to be honest (h) or demand bribes (d). Then the clients, x and y , move simultaneously. Each can either pay any nonnegative bribe to the official, or complain about the official to his superiors, at a cost c . Note that we assume that clients cannot both bribe and complain (perhaps complaining negates any good will earned by bribery, so that a complaining client will never wish to pay nonzero bribes). Let $b_x \geq 0$ and $b_y \geq 0$ denote the bribes, if any, paid by x and y , and let r_x and $(1-r_x)$ denote the fraction of the rent received by x and y respectively. If the official chooses h , then he uses formal government policy criteria to determine the rent allocation (thus, $E(r_x) = 1/2$), and the payoff 4 If the official *can* embezzle some portion of the rent, R represents the remainder. 5

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- $t + 1$? 6 6 Official chooses h or d Clients choose either to complain or pay bribes $b_x, b_y \geq 0$ Official punished if *both* clients complain Outcome observed; payoffs received Figure 1: Time line, briber's dilemma to the official is 0. Clearly, in this case the clients have no incentive to pay nonzero bribes, or to incur the cost of complaining. If instead the official chooses d , then the allocation of the rent depends on the clients actions. We assume that in this case the rent is allocated as follows: 5

⁵ This is a "rent-seeking" model: an official chooses a function mapping bribes into allocations, in response to which the clients noncooperatively decide how much to pay. An alternative formulation, following Bernheim and Whinston (1986), is the "menu auction" approach, in which the order of play is reversed: first the clients non-cooperatively choose menus of payments contingent on the allocations they receive, then the official chooses an allocation to maximize his payoff given these schedules. The model presented in this section can be reformulated using the menu-auction approach without substantively affecting the results. Another modeling possibility would be to allow the official to choose any function $r_x(b_x, b_y)$. In this case, there are several possible ways in which the official can build the game in order to capture the whole of the rent, including the function shown in (1).

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$$R_x(b_x, b_y) = \begin{cases} b_x & \text{if } b_x + b_y > 0 \\ 0 & \text{if } b_x = b_y = 0 \end{cases} \quad (1)$$

As mentioned earlier, most of the theoretical literature on **corruption** treats it as a principal-agent problem, with the official being monitored by his superiors. A key difference in this model is that officials are monitored by citizens (clients) rather than by "the state". Assumption 1. *If both x and y complain, the official is punished at the end of the period. Punishment inflicts a disutility T on the official. However, isolated complaints are ignored.* Assumption 1 is crucial in what follows. It states that the government will punish officials in response to *coordinated* complaints from clients. So, in order to deter **corruption**, citizens must be able to achieve *collective action* against corrupt officials. A central idea of this paper is that in many situations, overcoming **corruption** poses a collective action problem for the clients of a bureaucracy. Several examples will be given in section 4. The disutility T suffered by an official following coordinated complaints might incorporate a fine, demotion, dismissal or embarrassment. However, in

section 5 when we motivate this assumption in the Indian context, we will interpret the “punishment” as a transfer to a different post. Lemma 2.1. *A one-shot Briber’s Dilemma game has a unique subgame-perfect equilibrium, in which both clients pay bribes.* Proof: First consider the subgame in which an official has chosen d . Suppose that a client complains. Then the other client’s optimal strategy is to pay a tiny bribe and obtain the whole of the rent. But then the first client would prefer to pay a bribe rather than incur the cost of complaining - so no client complains in equilibrium. Then the first-order condition for client x is $b x = b y = \beta$, where β is the Nash equilibrium bribe. Solving, $\beta = \frac{R}{2}$. Thus, there is a unique symmetric

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Nash equilibrium in which both pay bribes of $\frac{R}{2}$, and the official’s payoff is R . Now consider the subgame in which the official has chosen h . In this case, both clients have a strictly dominant strategy of paying a zero bribe and not complaining (ie., doing nothing). The official’s payoff is zero. Thus, by backward induction, there is a unique subgame-perfect equilibrium in a one-shot briber’s dilemma, in which the official chooses d and obtains a payoff of R , and the clients both pay bribes of $\frac{R}{2}$ and obtain payoffs of 0. This game is a “dilemma” for the clients because if they could both credibly commit to complain after an official chose d , they could assure themselves of an expected payoff of $\frac{R}{2}$ each by avoiding the necessity of paying bribes. As usual, if the game is repeated with some probability, they may be able to escape their dilemma. Lemma 2.2. *If the briber’s dilemma is played with probability p in each time period, then non-bribery can be sustained as a subgame-perfect equilibrium if and only if $R \leq \frac{2}{p}$.* Proof: Consider a grim trigger strategy. Since both players receive a payoff of zero in a one-shot Nash equilibrium, this is an optimal penal code (Abreu 1988). In the event that an official chooses d , a client considering defection weighs the loss of future benefits ($\frac{R}{2}$ with probability p in each future period) against the immediate gain from defection. Therefore, non-bribery can be sustained by a grim trigger strategy if and only if $R \leq \frac{2}{p}$. Suppose now that in addition to the briber’s dilemma, the clients, x and y , can also engage in some other social or economic interaction, which we will refer to as “trade”. “Trade” might represent a variety of social or economic interactions; the key feature of trade is that enforcement is informal, in the sense that opportunism is constrained by the

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“trust” generated through repeated interaction, rather than by a third party. We model trade as follows. At the start of each period, each individual produces one indivisible unit of a consumption good. They derive utility u from consumption of their own product, and $u + z$ from consumption of the other’s product, where z reflects the net benefit from trade, if any. Each player may defect by not giving the consumption good to the other as promised. So, assuming that trade is potentially welfare-enhancing ($z > 0$), it is a prisoner’s dilemma, with payoffs:

Cooperate	Cooperate	$u + z, u + z$
Defect	Cooperate	$0, 2u + z$
Cooperate	Defect	$2u + z, 0$
Defect	Defect	u, u

Lemma 2.3. *Honest bilateral trade can be sustained as a subgame-perfect equilibrium iff*

$$\frac{\delta z}{1 - \delta} > u$$

(2)

Proof: Consider a grim trigger strategy according to which any deviation from honest trade is punished by a permanent suspension of trade.

This is an optimal penal code in a repeated prisoner’s dilemma (Abreu 1988), and is subgame perfect. With this enforcement regime, defec-

tion nets the defector a maximum one-shot gain of u ; the net loss in each future period is z . Therefore, defection is optimal unless (2) holds. Conversely, suppose (2) holds. Then a grim trigger strategy can support honest trade as a subgame-perfect equilibrium.

Definition

$$S(u, z, \delta) =$$

$$\delta z$$

$$1 - \delta$$

$$- u$$

$S(u, z, \delta)$ is the amount an individual who cheated in trade would stand to lose. We will refer to $S(u, z, \delta)$ as the “slack” in the trade game.

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In principle, the briber’s dilemma and “trade” are technologically distinct and might be treated as strategically unrelated. However, it is natural to suppose that two individuals who found themselves playing a briber’s dilemma would have an incentive to link the games, if by “staking their reputations” as fair traders on non-bribery in the briber’s dilemma, they may be able to avoid having to pay bribes and thereby capture the rent. Therefore, suppose that the games are played simultaneously in each period, according to the timeline depicted in figure 2. The briber’s dilemma need not be repeated with the same frequency as trade; assume that the briber’s dilemma will be played in each future period with probability p (thus, in particular, if $p = 0$, we have a one-shot briber’s dilemma).

Clients choose to

either cooperate

or defect in trade

6

-

t

$t + 1$

?

?

6

6

Official

chooses

h or d

Clients choose

either to complain

or pay bribes b

x

, b

y

≥ 0

Official punished

if *both* clients complain

Outcome observed:

payoffs received

Figure 2: Time line, linked games

Proposition 1. *Non-bribery can be sustained in a subgame-perfect equilibrium through strategic linkage if and only if*

R

$$\begin{aligned}
& 2 \\
& + c \leq S(u, z, \delta) + p(\\
& \delta \\
& 1 - \delta \\
&) \\
& R \\
& 2 \\
& (3) \\
& 10
\end{aligned}$$

Proof: Consider a grim trigger strategy according to which defection in the briber's dilemma, or cheating in trade, is punished by Nash reversion in both games. With this enforcement regime, an individual would prefer to defect in both games simultaneously than in either alone. A player would therefore be willing to defect unless

$$\begin{aligned}
& R + (2u + z) + \\
& \delta \\
& 1 - \delta \\
& (u) \leq \\
& R \\
& 2 \\
& -c + (u + z) + \\
& \delta \\
& 1 - \delta \\
& [(u + z)] + \\
& \delta \\
& 1 - \delta \\
& [\\
& pR \\
& 2 \\
&]
\end{aligned}$$

The right-hand side shows the one-shot payoffs from defection in both games, plus the stream of payoffs from the trade game following Nash reversion. The left-hand side shows the value of the expected payoff stream from cooperation in both games after an official has chosen d , assuming the other player also cooperates. This inequality simplifies to (3).

Proposition 1 shows that strategic linkage relaxes the incentive constraints in the briber's dilemma. In particular, although bribery is inevitable in a one-shot briber's dilemma without strategic linkage, a non-corrupt equilibrium can nevertheless be sustained if the slack in the trade game, $S(u, z, \delta)$, is sufficiently large. Since the role of strategic linkage in overcoming bribery is most sharply defined for the case of a one-shot briber's dilemma, and for the sake of expositional simplicity, in the remainder of the paper we will focus on this case - that is, we will assume that $p = 0$.

3 Social Structure and **Corruption**

So far we have dealt with a population of just two clients, and have seen that they may be able to enforce a non-bribery agreement, if they are able to sanction each other in another game. In this section, we analyze a more general situation in which there may be many potential clients embedded in a larger society, in order to see how different kinds of social structure may affect the level of **corruption**.

In a larger population, the likelihood of any particular pair of indi-

viduals having a direct “trade” relationship may be small. However, even if they do not interact with each other directly, they may still be able to enforce an agreement, if they can identify each other to third parties who can punish defectors.

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The question then becomes: given two randomly selected individuals, what is the probability that they can sanction each other informally via third party enforcement? If individuals interact mainly within closed groups with rigid boundaries, it may be hard for people from different groups to identify and thereby trust one another. In contrast, if group boundaries are porous, people will be able to form more extensive chains of contact and enforce non-bribery agreements (perhaps socially experienced as implicit anti-bribery “norms”) with many other individuals.

Consider, then, an infinite population of individuals divided into N “networks” (these might correspond to villages, or ethnic groups, for example; if we think of the players as firms, these might be business networks). We assume that individuals have perfect information about the history of play of those within their networks, but cannot identify members of other networks. There might be many reasons for this - cultural or linguistic boundaries, historical enmities, geographic divides, and so on. However, the networks need not necessarily correspond to any particular kind of social, ethnic or religious boundaries. For example, if enough information is available to support high levels of trust between members of different ethnic groups, then these ethnic groups would be contained within the same network.

Social structure in this model is reflected in the number of networks, N . A society with few networks (low N) is more “integrated” than a society with many networks, which we will refer to as “segmented”. In particular, the probability that two randomly-selected individuals are members of the same network (and can therefore identify each other) is

$$\frac{1}{N}$$

. In a totally integrated society, in which every individual can identify everyone else, N would simply be one.

6

In each period, each individual has the opportunity to engage in some kind of informal (self-enforcing) social or economic interaction with K other randomly selected members of his or her network. We will refer to all of these interactions as “trade”, and model them as one-shot two-person prisoner’s dilemmas like that described in the previous section. Notice that the *amount* of informal interaction is the same for any value of N ; what differs is the *pattern* of informal interaction: who

6

Kali (2002) presents an alternative, complementary approach to analyzing social structure: the “small world” phenomenon.

12

trades with whom.

Lemma 3.1. *Honest trade can be sustained as a subgame-perfect equilibrium within a network iff*

$$\delta z$$

$$1 - \delta > u$$

(4)

Proof: Consider a “community enforcement” strategy according to which all network members agree to trade honestly. Any defection from honest trade is to be punished by a suspension of future trade between the cheater and all other network members, with the provisos that (i) if any other player defects in the future, that player is subsequently punished while all previous defections are forgiven, and that (ii) simultaneous deviations are ignored (these conditions ensure subgame perfection).

With this enforcement regime, an individual considering cheating has an incentive to cheat all of those with whom she trades. So, defection nets the defector a maximum one-shot gain of Ku ; the net loss in each future period is Kz (assuming all other network members adhere to the community enforcement strategy). Therefore, defection is optimal unless (4) holds. Conversely, suppose (4) holds. Then the “community enforcement” strategy described above can support trade as a subgame-perfect equilibrium.

The community enforcement strategy used in the proof, in which players adopt a “social norm” that an individual who cheats any other network member is to be ostracized from future trade, is based on that described by Kandori (1992:67). As Kandori showed, to enforce honest trade, “changing partners itself is unimportant and the crux of the matter is information transmission among the community members” (Kandori 1992:64) (thus, (4) is the same as (2)). Here, we have simply assumed perfect and costless information transmission within each network.

Now assume that, in each period, a finite number of pairs of individuals are randomly selected from the entire (infinite) population, to play one-shot briber’s dilemmas. How will social structure be related to **corruption** in this model?

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Lemma 3.2. *When two members of the same network play a briber’s dilemma, an agreement not to pay bribes can be sustained in a subgame-perfect equilibrium through strategic linkage if and only if*

$$R + c \leq KS(u, z, \delta)$$

(5)

Proof: Consider a strategy according to which defection in the briber’s dilemma, or cheating in trade, is punished by exclusion from all future trade. When a defection occurs, all previous defections are forgiven; and simultaneous defections are ignored. With this enforcement regime, after an official has chosen d , an individual considering defecting would prefer to defect in all K trade games and the briber’s dilemma simultaneously. The player can expect to be excluded from all future trade (assuming that all other network members never cheat).

A player will therefore prefer to defect unless

$$R + K(2u + z) + \delta(1 - \delta)(Ku) \leq$$

$$R$$

$$2$$

$$- c + K(u + z) +$$

$$\delta$$

$$1 - \delta$$

$$[K(u + z)]$$

which simplifies to (5).

Proposition 2. *If (5) holds, a more integrated society (one with a lower N) can sustain a lower level of **corruption** in equilibrium than can a less integrated society.*

Proof: Suppose that all members of all networks strategically link the briber's dilemma and trade games using the strategy described in the proof of Lemma 3.2. By Lemma 3.2, this can sustain non-bribery when both clients are members of the same network. By Lemma 2.1, when members of different networks play a briber's dilemma, bribery is inevitable. So, in equilibrium, bribery will occur only when the two clients are members of different networks, which happens with probability

$$\frac{N-1}{N}$$

.

Therefore no equilibria exist in which bribery occurs with probability less than

$$\frac{N-1}{N}$$

,

which is increasing in N .

To illustrate Proposition 2, suppose $N = 1$. Then we have a totally integrated society, and as long as (5) holds, a universal "norm" against bribery can ensure that bribery never occurs. If $N = 3$, then bribery will occur in approximately

$$\frac{2}{3}$$

of the briber's dilemmas played, since the

probability that the two clients are members of the same network is

$$\frac{1}{3}$$

.

.

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4 Examples

Propositions 1 and 2 showed that informal social or economic interaction between a bureaucracy's clients can enable the clients to overcome "briber's dilemmas". This section briefly discusses two examples of situations in which overcoming **corruption** poses a collective action problem for the clients of a bureaucracy, which can be overcome if the clients are socially or economically "integrated".

First, consider a situation in which firms compete for contracts or licenses allocated by government officials, or can bribe officials to overlook regulations. A firm which refuses to bribe to obtain a contract, or to obtain reliable telephone service, or to evade excise duty, risks being priced out of the market by less scrupulous competitors. As a result, these firms face a "briber's dilemma". If some firms are willing to pay bribes, the others have no choice but to follow suit.

However, suppose that the firms form an association which undertakes mutually beneficial activities such as personnel training, technol-

ogy sharing, lobbying, setting industry standards, or price collusion. Proposition 1 implies that if these activities are of sufficient value to members, the threat of expulsion may enable the firms to escape their briber's dilemma, coordinate opposition to officials seeking bribes, and enforce boycotts of firms found to be paying them.

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For example, Kochanek (1993) argues that in Bangladesh, business associations are too weak to prevent government policies being undermined by individual firms seeking exemptions. As a result, rent-seeking is ubiquitous and collective action infrequent. The empirical studies in Maxfield and Schneider (1997) contain several similar examples, but also some examples of situations in which firms successfully used business associations to overcome **corruption** through collective action. For example, among clothing manufacturers in Turkey, Members who contemplate circumventing the association to seek particularistic benefits have to weigh the likelihood and costs of losing membership in the association against the likely benefits from private relations with government officials. (Maxfield and Schneider 1997:24)

7

Greif et al. (1994) argue that medieval merchants used guilds to achieve collective action in a related context.

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Thus, organized business "lobbies", which are often regarded as affecting policy in negative ways, may have beneficial effects in controlling **corruption**. If the benefits of membership in an association outweigh the potential gains from bribery, the association may be able to enforce a mutually beneficial non-bribing rule among its member firms.

As a second example, consider economic anthropologist T. Scarlett Epstein's (1962, 1998) comparative study of two South Indian villages. The villages were initially broadly similar, but an exogenous technological change (the introduction of canal irrigation to the area in 1939) caused their paths of development to diverge.

The introduction of canal irrigation strengthened economic interdependence among the villagers in the first village, enabling them to enforce mutual cooperation by threat of economic sanctions.

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As a result, members of this village interacted (relatively) harmoniously, and presented a "united front" when dealing with government officials: Villagers refused to let the Government set them to competing with each other; their feeling of unity as against the Government outweighed the economic interests of individual villagers (1962:145)

In contrast, the irrigation canals bypassed the second village, because it lay above the canal water level, on the fringe of the "irrigated belt" of villages. So, when irrigation was introduced, many villagers purchased land or sought employment in nearby irrigated villages. Social and economic interaction within the village decreased, and factional conflict intensified. This reduced the villager's capacity for collective action, with the result that amenities such as schools and temples were allowed to deteriorate, and villagers used personal contacts, caste loyalty, and bribery to rally external authorities (such as the police) to their support

in internal disputes.

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These examples illustrate how a mutual vulnerability based on economic interdependence can enable a community to engage in collective action, and thereby affect its' relationships with government officials.

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This was illustrated by a lockout which persisted until “both Peasant employers and Untouchable laborers found the situation economically untenable” (Epstein 1962:187).

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Epstein et al. (1998: 123, 157-8, 202, 231, 283-4, 288-90).

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Members of a more integrated community, who can punish each other by “linking the games”, are therefore less likely to try to obtain preferential treatment from government officials at each other’s expense.

5 “Transfers” and Public Administration

in India

Proposition 2 showed that social integration may be associated with a lower level of **corruption**. One possible approach to testing the theory would be to attempt to find a proxy for **corruption** and see if it were negatively correlated with a proxy for “social integration”. However, even if satisfactory proxies could be found, it would hardly be surprising if they were negatively correlated. A variety of possible **theories** might explain such a correlation, so observing it would not shed much light on the important question of *how* social structure affects **corruption**.

This paper therefore adopts a different approach. In accounts of public administration in India, the frequency with which government officials are transferred between posts is often identified as a variable closely linked to **corruption**. However, as discussed below, depending on *how* social integration reduces the level of **corruption**, we might expect to find either a positive or a negative relationship between social integration and transfer frequency. Thus, studying transfer frequency will enable us to investigate not just whether, but also *how*, social integration reduces the level of **corruption**.

In this section, therefore, we discuss public administration in India in more detail, focusing in particular on the importance of transfer frequency. Based on this discussion, we will generate several contrasting hypotheses concerning the likely relationships between social integration and transfer frequency. Then, in section 6, we will motivate our measure of social integration (a low level of riots), before proceeding to the empirical analysis in section 7.

Transfers of government officials from one post to another are extremely rapid in India. While official rules specify that officials should be transferred every 3 to 5 years, in fact they “can always and at any moment be transferred” (de Zwart 1994:53), and are sometimes transferred several times in a single year. Transfers are generally considered

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to be closely related to **corruption**; indeed, “A conversation about transfers is more or less equal to a conversation about **corruption**” (de Zwart 1994:10). This close relationship between transfers (which are visible), and **corruption** (which is not), makes transfer frequency an excellent

variable with which to investigate **corruption** in India. However, the relationship is not entirely straightforward; several factors can affect transfer frequency.

First, transfers may be carried out by (benevolent) governments in an effort to reduce **corruption** by creating “social distance” between officials and members of the public.

Second, transfers often result from political interference. For example, widespread transfers are common following a change of government, as politicians reward their supporters and tighten their control over administrative decisions by installing loyal officials in important posts, and removing officials loyal to their opponents. In addition, officials frequently bribe politicians and other officials to obtain transfers to desirable posts.

A third common cause of transfers, related to the second, are complaints to politicians, or informal lobbying of politicians, by clients. It is not so much the merits of complaints which matter, because the formal accountability procedures are extremely weak. Isolated complaints, however valid, are easily ignored. However, if a sufficient *volume* of complaints about a particular official builds up, politicians have an incentive to accommodate their constituents’ wishes by transferring the official in question.

Next, we discuss each of these causes of transfers in more detail, in order to generate testable hypotheses.

5.1 Transfers to combat parochial **corruption**.

In traditional societies, “parochial” **corruption** (or “nepotism”) often occurs because of the prevalence of strong personal relationships between officials and members of the public. A frequent rationale for transferring officials is to prevent this kind of **corruption**, by breaking up networks of corrupt individuals and creating “social distance” between officials and their clients. Indeed, in India, the system of transfers was initially created in the 1770s in a (successful) attempt to combat

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endemic **corruption** in the East India Company (de Zwart 1994). From the government’s point of view, however, carrying out frequent transfers may also entail costs; for example, officials may need to be compensated for the inconvenience of frequent transfers, and may take time to “learn the ropes” and become effective in a new role.

What relationship does this view predict between social integration and transfer frequency?

If, as seems likely, parochial **corruption** is indeed less of a problem in more integrated societies characterized by extensive but short-lived interpersonal interactions than in segmented societies characterized by dense and long-lived interactions within small groups, and if transfers are carried out to reduce parochial **corruption**, then, from the government’s point of view, transferring officials ought to be less effective at reducing the costs of **corruption** in more integrated societies (in a society with no parochial **corruption**, there would be no need for transfers at all). Therefore, we would expect

Hypothesis 1. *If governments transfer officials to combat parochial **corruption**, then the level of social integration will be negatively correlated with (the government’s optimal choice of) transfer frequency (and also with the level of **corruption**).*

5.2 Transfers caused by political interference

Indian politicians often intervene in transfers of government officials. For politicians, influence over transfers is a key political resource which helps politicians to achieve re-election in two main ways.

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First, influence over transfers enables politicians to obtain administrative favors for their supporters: hospital beds, government jobs or contracts, grants or loans, shortcuts past queues or red tape, and so forth.

10

Nominally, transfers are decided by senior officials rather than local politicians. However, in practice, Chief Ministers in the states, who appoint the most senior officials, must retain the support of local politicians, as their power is constantly under threat from defections to rival factions. They therefore routinely delegate influence over transfers to local politicians, often quite explicitly, in exchange for their support. As a result, the transfer system in practice is subject to political interference at all levels.

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Second, the ability to have officials transferred enables politicians to extract bribes from officials vying for particular jobs. Some of the funds generated in this way can then be used, for example, to distribute cash, clothes, blankets and alcohol to voters at election time, or to cultivate “vote banks” through contributions to caste associations. Politicians may also need money to pay bribes in order to obtain party nominations.

In Wade’s (1982, 1989) detailed study of an Indian irrigation department, for example, irrigation officials obtained bribes from farmers by manipulating their water supply, and from contractors in exchange for the award of construction and maintenance contracts. Junior officials often bribed their superiors to obtain transfers to especially lucrative posts, the price for each post being dependent on the projected earnings. In this way, bribe money was aggregated and channeled up the hierarchy to senior officials and, ultimately, politicians. The transactions were generally impersonal, based on well-established conventions governing the sharing out of funds as well as the transfer “market”, and the sums involved far exceeded the official’s salaries. Thus, The transfer is the politicians’ basic weapon of control over the bureaucracy ... With the transfer weapon not only can the politicians raise money by direct sale; they can also remove someone who is not being responsive enough to their monetary demands or to their requests for favors to those from whom they get money and electoral support. (Wade 1982:319)

de Zwart (1994) calls this system the “leasing of offices”: officials effectively “lease” posts from politicians, providing them with administrative favors and a share of the bribes, in exchange for transfers to desirable posts and protection from complaints.

This discussion might lead one to suppose that in well-governed states, political interference will be less frequent, and the transfer system will operate more according to sound administrative procedures.

Since transfers are such an integral part of the system of administrative **corruption** in India, we might therefore expect transfer frequency to be lower in well-governed (less corrupt) states. Accordingly,

Hypothesis 2. *If transfers are a suitable proxy for **corruption**, and social integration helps to reduce **corruption**, then social integration will*

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be negatively correlated with transfer frequency (and also with the level of **corruption**).

Another result of political interference in transfers is that wholesale transfers frequently occur following changes of government (eg., Singh 1988), as politicians reward their supporters by transferring loyal officials into important posts while banishing their opponents. As a result, we might expect transfer frequency to be higher in years in which there is political instability, elections, or changes in government. Therefore, Hypothesis 3. *Transfer frequency will be higher during times of political instability, or in states with greater political instability. So, if social integration reduces political instability, it should be negatively correlated with transfer frequency.*

5.3 Transfers caused by coordinated complaints

As we have seen, politicians in India use transfers to discipline and coerce officials in order to increase their chances of re-election. Accordingly, one reason politicians may intervene to transfer officials is in order to “keep the peace” in response to complaints from constituents.

The most common situation that produces [transfers] is a flow of complaints about individual civil servants, offices, or departments, especially complaints concerning **corruption**. The first administrative reaction is usually to order a number of transfers. (de Zwart 1994:8)

“Complaints” may take a variety of forms. Informal lobbying of local politicians to have an official transferred is common. Anonymous letters are another possible means of complaint (Wade 1982:311; de Zwart 1994:92,130). In extreme cases, direct agitations, such as stoppage of traffic, *gheraos*, demonstrations, etc., may occur.

However, although transfers often result from complaints, Indian bureaucracy is generally viewed as unresponsive to complaints. “(D)enunciations are so common that, to exaggerate only a little, no one takes any notice” (Wade 1989:95). How can complaints be so important and yet so ineffective?

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Both formal legal protections against dismissal, and informal solidarity among government officials,

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make it relatively easy to protect an official from formal complaints. As a result, isolated complaints are largely ineffective. But if many constituents complain about a particular official, then politicians have an incentive to have them transferred. For the politician, a transfer is just as effective at “keeping the peace” as having an official dismissed, and far easier to achieve. Usually, therefore, irrespective of the merits of the case, officials who face a *large volume* of complaints are transferred.

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The upshot is that an official’s objective is to maximize revenue subject to the constraint of maintaining complaints about his performance at a low level; a ‘low’ level being that which is insufficient to set off the transfer mechanism (Wade 1989:77).

Propositions 1 and 2 showed how social integration can facilitate coordinated complaints against corrupt officials. To see more clearly how this will be reflected in transfer frequency, we must return to the model and allow for incomplete information (so that transfers due to coordinated complaints will sometimes occur on the path of play).

Model (Incomplete Information)

When faced with a pair of clients, an official does not necessarily know the nature of the relationship between them. In the context of our model, officials may not be certain whether two individuals are in fact members of the same network. So, we will now modify the model of section 3 by assuming that at the start of a briber's dilemma game, the official receives a signal which indicates whether the clients with whom he is dealing are members of the same network, and that this signal is incorrect with probability $\mu > 0$ (as a result, officials will sometimes make mistakes on the path of play).

¹¹“(D)epartments take advantage of every procedure to delay inquiries, investigations, and prosecutions . . . [officials have] two codes of conduct, two allegiances if you will, one to the group of departmental colleagues, the other to the administration as a whole.” (Palmier 1985:111-2)

¹²Wade (1982:311; 1989:77,95); de Zwart (1994:8,71,130)

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After the signal is observed, play proceeds as in section 3. First, the official chooses whether to demand bribes (d), or not (h). If he chooses h , each client expects to receive, on average, half the rent (

R

2

). If he

chooses d , the two clients (x and y) receive fractions r

x

and $(1 - r$

x

)

of the rent respectively, where r

x

is given by (1). The clients then

simultaneously choose whether to complain (at a cost c), or bribe the official, and if they bribe, how much to pay. Simultaneously, they play the “trade” games within their respective networks. Assume that the number of networks, N , is common knowledge, and that $N \geq 2$.

We continue to assume that the only way the government monitors officials is by punishing them in response to coordinated complaints from clients (Assumption 1). We can now interpret this punishment as a transfer to another post. An official who is transferred suffers a disutility T .

To see how social integration, **corruption**, and transfer frequency will be related in this model, we define the following variables:

Definition. The *level of corruption*, γ , is the expected proportion of briber's dilemmas in which bribery occurs.

Definition. *Transfer frequency*, λ , is the expected probability that an incumbent official is transferred in any period.

Consider the following “linked” strategy for the clients:

- If a member of one's own network cheats another member in either

the briber's dilemma or in trade, that member is subsequently to be considered "ostracized" unless the person they cheated was already ostracized. When a defection occurs, all previously ostracized players are forgiven; and multiple simultaneous defections are ignored.

- In the trade games, trade honestly as long as neither player has been ostracized; otherwise, play the static Nash strategy (ie., cheat).

- When playing the briber's dilemma against a member of one's own network, if the official chooses d , complain if neither player

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is ostracized; otherwise, play the static Nash strategy (ie., pay a bribe of

R

2

).

- When playing the briber's dilemma against a member of another network, play the static Nash strategy.

Lemma 5.1. *If all clients choose the "linked" strategy described above, then there exists μ*

*

> 0 such that the following "believe the signal"

strategy is among an official's best responses for all $\mu \leq \mu$

*

:

- if the signal indicates that the clients are members of the same network, choose h ; otherwise, choose d .

Proof: The expected payoff to an official who chooses h is zero, whatever the identity of the clients. If an official chooses d , and the clients adopt the "linked" strategy, then if two clients are members of the same network, the official will face coordinated complaints and will be transferred. As a result, his payoff will be $-T$. On the other hand, if the clients are members of different networks, the payoff to choosing d will be R , since each client pays a bribe of

R

2

. Having observed a

signal that indicates that the clients are members of the same network,

therefore, the official's expected payoff to choosing d is $\mu R - (1 - \mu)T$.

If μ is sufficiently small, this is negative, so the official will prefer to choose h for a payoff of zero. Similarly, the expected payoff to choosing d in the case of a signal which indicates that the clients are members of different networks is $(1 - \mu)R - \mu T$. If μ is sufficiently small, this is positive, so the official will choose d . Since $R > 0$ and $T > 0$, we can find μ small enough to satisfy both these conditions.

Lemma 5.2. *If all pairs of clients play the "linked" strategy and all officials play the "believe the signal" strategy, then the level of corruption will be lower in a more integrated society, that is,*

$\frac{\partial \gamma}{\partial N}$

> 0

Proof: If all players follow the specified strategies, payment of bribes will occur when two things happen: an official faces a pair of clients who

are members of different networks, and he receives a correct signal.

Therefore, $\gamma =$

$\frac{N-1}{N}$

$\frac{1}{N}$

$\frac{1}{N} (1 - \mu)$, so

$\frac{\partial \gamma}{\partial N}$

$=$

$\frac{1}{N^2}$

$\frac{1}{N}$

$\frac{1}{N}$

$\frac{1}{N}$

$\frac{1}{N^2} (1 - \mu) > 0$.

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This is quite intuitive: it says that in a more segmented society, a larger fraction of randomly selected pairs of clients are members of different networks; so, officials will more frequently be able to successfully demand bribes - as long as mistakes are infrequent.

Lemma 5.3. *If all pairs of clients play the “linked” strategy and all officials play the “believe the signal” strategy, then transfer frequency will be lower in a less integrated society, that is,*

$\frac{\partial \lambda}{\partial N}$

< 0

< 0

Proof: If all players follow the specified strategies, officials will be transferred when two things happen: an official faces a pair of clients who are members of the same network, and receives an incorrect signal, so he demands bribes and, (to his surprise), faces coordinated opposition (complaints). Therefore, $\lambda =$

$\frac{1}{N}$

$\frac{1}{N}$

$\frac{1}{N} \mu$, so

$\frac{\partial \lambda}{\partial N}$

$=$

$-\frac{1}{N^2}$

$\frac{1}{N}$

$\frac{1}{N}$

$\frac{1}{N}$

$-\frac{1}{N^2} \mu < 0$.

Proposition 3. *Suppose that (5) holds. There exists μ*

μ^*

> 0 such that,

for all $\mu < \mu^*$

μ^*

, there exists a Perfect Bayesian equilibrium in which officials all play the “believe the signal” strategy and the clients all play the “linked” strategy. In this equilibrium,

$\frac{\partial \gamma}{\partial N}$

> 0

and

$\frac{\partial \lambda}{\partial N}$

< 0

< 0

Proof: Lemma 5.1 established that for small values of μ , the “believe the signal” strategy is a best response for the official. If officials follow the “believe the signal” strategy, and (5) holds, then, by Lemma 3.2, the “linked” strategy is an equilibrium for the clients. Therefore, these strategies constitute an equilibrium strategy profile. Given this strategy profile, Lemma 5.2 establishes the first inequality. Lemma 5.3 establishes the second.

Proposition 3 shows that as long as “mistakes” (arising from incorrect signals) are rare, then, even though some officials are transferred as a

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result of attempted corruption, and the level of corruption is *decreasing* in the level of social integration, transfer frequency is *increasing* in the level of social integration.

The intuition is as follows: as long as mistakes are infrequent, officials will seek bribes if and only if they estimate that the pair of clients with whom they are currently dealing are members of different networks. Officials can make two kinds of errors in this situation. If the clients are members of different networks, and the official “mistakenly” does not attempt to obtain bribes from them, he loses an opportunity to make money, but faces no coordinated opposition from the clients and is therefore not transferred (or, more realistically, is transferred only as a matter of normal administrative routine). Officials who misread the situation when their clients are in fact members of the same network, however, are likely to demand bribes and thereby trigger a storm of complaints which results in their speedy transfer.

Therefore, even though bribes are less frequently demanded (and paid) in a more integrated society, the transfer frequency may be higher, since a higher proportion of pairs of clients will have the capacity to join in collective action against a corrupt official.

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Hypothesis 4. *To the extent that collective action against corruption causes transfers, social integration will be positively correlated with transfer frequency (and negatively correlated with the level of corruption).*

Note that Hypothesis 4’s prediction of a positive relationship between social integration and transfer frequency contrasts with the negative relationship predicted by Hypotheses 1, 2 and 3 (all four hypotheses agree, however, that social integration ought to reduce the level of corruption). These hypotheses do not necessarily exhaust all the possible arguments that might be made. For example, we might also consider

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All this assumes that μ is independent of social structure. But it seems reasonable to suppose that, in fact, it will be more difficult for officials to discover whether informal connections exist between his clients in a more integrated social setting, whereas in a segmented social setting, some proxy such as religion, ethnicity, etc, may usefully indicate to an official the nature of a client’s set of informal contacts. Then mistakes will be more likely in an integrated social setting, further increasing transfer frequency, and strengthening the above argument.

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the implications of the standard principal-agent view which is the dominant approach to modelling corruption. Presumably, the more corruption there is, the more officials would be caught engaging in corruption.

In India, as we have seen, transfers are the usual way of disciplining officials. So, if social integration, or something like it, somehow reduces corruption, then this gives us yet another reason why social integration might be negatively correlated with transfer frequency. The main point, however, is simply that a variety of reasonable theories might predict that social integration would be negatively correlated with transfer frequency, and that this contrasts with the prediction we have made based on our model above.

Based on this discrepancy, section 7 will attempt to empirically evaluate the relevance of these alternative possible explanations for transfer frequency and thereby attempt to shed light on the mechanism by which social structure affected corruption in a specific setting. First, however, we need a proxy for social structure.

6 Riots and Social Structure in India

Indian society is extremely diverse, containing numerous social groups divided by caste, religion, language and other traits. Many social and cultural activities, including mutual reciprocal aid, tend to be concentrated within these groups, and group boundaries are often very rigid. However, despite this social heterogeneity, members of different social groups in India may be highly economically interdependent. Traditionally, this interdependence often took the form of a caste-based division of labor; low-caste laborers and artisans served wealthier high-caste landowners in exchange for an implicit assurance of survival in bad crop years and emergencies (Platteau 1995).

In modern India, the nature and extent of social and economic “integration” varies greatly. Because these widely varying informal environments interact with a relatively uniform formal system, India is a particularly appropriate context in which to study the interaction between formal and informal “rules”.

But there’s a problem: in the face of this tremendous diversity, how can we measure the level of social integration in a quantifiable yet meaningful way? To measure the level of integration properly, we would

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need to be able to observe which “groups” are relevant in each instance (and Indian society contains many cross-cutting divisions) and the type of interaction between their members. Clearly, any direct measurement of this sort is impossible, so our measure must necessarily be indirect. There are two main approaches to indirectly measuring related variables (“trust”, “civic-ness”, “social capital” etc.) in the literature. The first is to use survey responses (eg., Knack and Keefer 1997). The second approach is to look for suitable proxies. For example, Putnam (1993) uses membership in formal associations, newspaper readership, and voter turnout in referenda to compare “civic-ness” in Italian regions. Putnam’s indices are less appropriate to the Indian context, but this section argues that in India, the incidence of riots can serve as a proxy for social integration (a low level of riots reflecting a high level of social integration).

Why do riots occur in some places more than in others? Fearon and Laitin (1996) argue that in situations where intergroup conflict can occur, potentially violent situations are often defused if some members of each group have an interest in intergroup harmony (for example, because they are involved in valuable intergroup trade). When trouble is brewing, individuals with a vested interest in peace often step in to

calm things down.

In India, although many different kinds of sparks can ignite intergroup violence,

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riots often reflect an accumulation of underlying tensions. “Two communities start a slow pirouette of confrontation which gradually builds up to the moment when the tension must explode into violence” (Akbar 1988:151). Fearon and Laitin’s argument, then, suggests that these tensions are more likely to be defused, and riots are therefore less likely to occur, if some members of each group have an interest in preserving intergroup harmony.

This sort of argument is made most explicitly in the Indian context by Varshney (2002). He contrasts three pairs of demographically similar Indian cities. One city in each pair is comparatively peaceful, whilst the other experiences frequent communal (Hindu-Muslim) violence. Varshney finds that in each case, for various historical or eco-

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In Krishna’s (1985) data, proximate causes of communal violence included festivals, quarrels over the honor of women, desecration of religious places, cow slaughter, etc.

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conomic reasons the populace in the peaceful cities is relatively integrated compared to the violence-prone cities. In the more integrated cities, formal and informal “networks of civic engagement”, frequently built on an economic symbiosis between groups, which facilitate communication and constrain polarizing behavior, are decisive in preventing communal riots.

For example, Hyderabad has a history of Hindu-Muslim violence, while Lucknow, which is a similar size and has a similar proportion of Muslims in the population, does not. The essential difference between the two cities is not that intergroup tensions do not appear in Lucknow, but rather that they are more easily defused before they lead to violence. Varshney identifies an economic symbiosis between Muslim embroiderers and Hindu textile merchants as the key factor in maintaining peace. The textile industry operates informally: “lacking explicit and formal contracts, the entire system works on trust” (*ibid*:178). In the process, a large reservoir of trust, as well as a mutual interest in peace, is formed out of everyday economic interactions. When tensions rise, members of both communities come together to “build bridges”, and defuse them.

In contrast, in Hyderabad, there is no comparable economic symbiosis, and, except at elite levels, no other major sources of cross-community integration. “Associations of traders, when they are built, are formed along intracommunal lines” (*ibid*:180). As a result, rumors and minor incidents frequently spiral into major riots, and large-scale violence is common.

The argument, then, is that riots are likely to develop less frequently in environments where there is a high level of social or economic interaction between members of different groups. This is exactly what we have referred to above as an integrated social structure. Accordingly, we will use a low level of riots as a proxy for social integration in Indian states. A further advantage of using riots as a proxy is that we need not identify the particular groups and divisions relevant in each instance, which might be impossible.

7 Empirical Analysis

The Data on Transfer Frequency

No official figures on transfer frequency exist (de Zwart 1994:54). However, one source of data is available. Potter (1987) traced movements of officials over a ten-year period (1976 to 1985) by directly comparing records of each individual's post on 1 January each year, and from this obtained annual transfer frequency data for each state. This is the data used below.

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These data are for the Indian Administrative Service (IAS), an elite group whose members occupy most top posts in the civil service. The colonial administrative structure in India was designed so that large areas could be administered by a few colonial officials, and this structure was preserved following Independence. As a result, IAS officials have substantial powers over a wide range of government activities.

Transfers of IAS officials are extremely rapid. For example, in Rajasthan between 1956-65, a 3-year minimum incumbency rule for IAS Collectors was *broken* in 98.5% of cases (Bhatnagar and Sharma 1973). In Potter's data, well under 50% of officials lasted even a year in their posts, on average. When surveyed, IAS officers identified short tenure as the greatest perceived problem they faced (Singh and Bhandarkar 1994).

IAS personnel are allocated to a particular state, and transferred only within that state.

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Like many other government officials, they are often exposed to substantial political pressure from local politicians.

Any Collector [the senior IAS official in a district] was continually being pushed by politicians from different groupings to allocate scarce resources in one particular direction or another. (Potter 1986:224)

Inevitably, "some Collectors were more easily pushed than others". According to Godbole (a former IAS officer), IAS officials "are faced

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Potter records the proportion of officials who moved *at least once* during the year. This data is transformed to obtain the average transfer frequency assuming a Poisson process. With a Poisson distribution, $P(0) = e^{-\lambda}$

$- \lambda$

, so the transformation is

$\lambda = -\ln(P(0)) = -\ln(1 - P(\geq 1))$, where $P(\geq 1)$ is the data reported by Potter.

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Except for a small number on deputation to the Government of India.

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with the prospect of making difficult choices involving personal honesty, integrity and moral rectitude early in life"(1997:66), while Gill (also former IAS) states that IAS officers "are exposed to the same temptations, and succumb to them the same way as others do."(1998:139) 17

The fact that the data on transfer frequency pertain to the IAS is a mixed blessing. On the one hand, IAS officers have considerable power, and for this reason alone, the forces which influence their transfers are important. On the other hand, however, the pressures and incentives they face may differ from those faced by officials at lower levels of the administrative hierarchy. Therefore, if data were available, it would be

interesting to see whether similar findings to those reported below hold for lower-level officials. The Riots Data We use two separate sources of riots data, which we will call *Riots-A* and *Riots-B*. *Riots-A*: Our main source of riots data is the annual Government of India publication *Crime in India*, which provides yearly data on the number of riots per 100,000 population for each Indian state. This data covers the same years as Potter's transfer frequency data. The all-India average number of riots per 100,000 people increased somewhat, from 10.4 in 1976 to 13.3 in 1985, with a peak of 16.3 in 1981. The total number of riots recorded varied from a low of 63,675 in 1976 (which was unusually low) to a high of 110,361 in 1981. Given the large numbers of riots reported, this data probably does not primarily measure large-scale Hindu-Muslim or inter-caste riots. ¹⁹ Instead, most of these "riots" ¹⁷ Though reports of corruption within the IAS are not hard to find, the theory does not depend on officials literally demanding bribes. Officials may face a choice between acting impartially or attempting to gain protection from transfers by aligning themselves with some locally powerful faction. One possible (loose) interpretation of the model is that one faction's willingness to collude with an official in this way can depend on how vulnerable faction members are to retaliation in other games. ¹⁸ A "riot" is defined as five or more people who use violence or the threat of violence against others, and therefore includes intergroup conflict as well as political violence. ¹⁹ On average, only(!) a few hundred large Hindu-Muslim riots occur each year

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are probably fairly minor incidents involving small groups. This makes the data quite suitable as a general measure of social and political conflict. This data has been used by Kohli (1990), among others, as a measure of political conflict and instability.

Riots-B: Krishna (1985) reports the proportion of districts in each state affected by Hindu-Muslim riots between 1961 and 1970. While this data does not cover the same time period as Potter's transfer data, it is useful because it will not be distorted by the presence of "hotspots" in several states (it measures the proportion of districts in which some violence occurred, but not the intensity or frequency of the violence).

Control Variables

A number of other factors may affect corruption and/or transfer frequency. The variable most robustly associated with corruption in cross-country regressions is per-capita income. A second promising control variable is newspaper readership, which may affect officials' bargaining power (literate and informed citizens are more aware of their rights), as well as the nature of democratic politics. Besley et al. (2002) show that governments are more responsive where newspaper circulation is higher.

Thirdly, inequality among the clients of a bureaucracy may affect administrative behavior. For example, local governments may be more prone to "capture" by affluent groups if affluent voters are better informed than poor voters (Bardhan and Mookherjee 1998); this asymmetry may be more pronounced if inequality is severe.

Sample

The 19 IAS cadres included in the *Riots-A* sample are Assam-Meghalaya, Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu (eg., Brass 1994:240). ²⁰

The primary source cited is Government of India, Ministry of Home Affairs.

²¹ Regressions using literacy instead of newspaper circulation produced similar results.

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and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur-Tripura, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal. Union territories are omitted. This sample corresponds exactly to those states with populations over 750,000 in 1981. For regressions involving the *Riots-B* variable, Manipur-Tripura, Nagaland, and Himachal Pradesh are omitted due to a lack of data. The resulting sample of 16 contains exactly those states with populations over 5 million in 1981.

Results

We have considered a number of possible hypotheses concerning the relationships between social integration, political instability, and transfer frequency. To summarize the predictions: several different

theories might explain why social integration would reduce corruption. Of these, most would seem likely to predict a negative correlation between social integration and transfer frequency (eg., Hypotheses 1, 2 and 3). It is harder to tell stories which, like Hypothesis 4, predict a positive relationship. Thus, examining the relationship between social integration and transfer frequency enables us to see *how* social integration affects the level of corruption. Table I investigates the cross-sectional relationship between social integration (proxied by a low level of riots) and transfer frequency. Overall, it appears that, using either measure of riotousness, in states with a low level of riots, transfer frequency is higher. The explanation

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Table I Determinants of Average Transfer Frequency (λ) Crosssection (OLS, constants not shown)

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Weighted by population (derived from Dreze and Sen 1995, Table A3). Some data for Manipur-Tripura

and Assam-Meghalaya are calculated from disaggregated data. 34

offered, again, is that there is a hidden underlying variable, social integration, which tends to reduce the level of riots and to raise transfer frequency. What makes this interesting is that a variety of arguments might have predicted that this relationship would have been positive rather than negative. Newspaper circulation has a significant negative impact on transfer frequency. This is in accordance with Besley and Burgess' (2002) argument that a well developed media tends to make government more responsive to its citizens. Thus, officials may be less likely to attempt to extract bribes from more informed

Chapter I: Introduction

This thesis explores the relationship between income inequality, **corruption**, and social trust. Specifically, I explore two broad questions: (1) Does income inequality increase **corruption**? (2) Do inequality and **corruption** erode social trust? I link normative inquiries to positive theorizing, drawing on comparative politics, political economy, political sociology, and social psychology literature regarding these topics as well as political philosophy literature on social justice. I conduct both large-N statistical analyses and comparative historical case studies in order to test my hypotheses and identify causal mechanisms.

There is strikingly little literature, both theoretical and empirical, on the relationship between **corruption** and inequality, even though there is a huge accumulation of literature on **corruption** and on inequality separately. I intend to explore the nature of **corruption** as a breach of ‘formal justice’ and its relationship with inequality as a problem of ‘distributive justice.’ Most people see **corruption** primarily as a problem of social justice rather than a problem of development, but neither **theories** of justice nor literature on **corruption** have discussed **corruption** as a form of injustice. Although Rawls (1971) utilized the concept of “formal justice,” which is defined as “impartial and consistent administration of laws and institutions irrespective of substantive principles,” his discussion of formal justice was limited to the issue of “civil disobedience.” Civil disobedience is an important form of the violation of formal justice, particularly in authoritarian countries, but **corruption** is increasingly becoming an important issue in virtually every country, and particularly in many new democracies.

Normatively, freedom from **corruption** as ‘formal justice’ and relatively equal distribution of income and wealth as ‘distributive justice’ should be complementary and mutually reinforcing. Based on this insight, I attempt to find grounds for positive theorizing for mutually reinforcing relationship between inequality and **corruption**. I focus on the causal effect of inequality on **corruption**. Previous empirical studies have found that **corruption** increases inequality (Gupta, Davoodi, and Alonso-Terme 2002; Li, Xu, and Zou 2000), but the effect of inequality on **corruption** was found to be insignificant (Husted 1999; Paldam 2002). I suspect that the insignificance is due to attenuation bias from large measurement error in inequality. I will provide a theoretical account of why income inequality increases **corruption**.

By **corruption**, I mean “the abuse of power for private gain.” There are many kinds and types of **corruption**; petty **corruption** can be distinguished from grand **corruption**, while political **corruption**, bureaucratic (or administrative) **corruption**, and judicial **corruption** can be distinguished from one another. Likewise, **corruption** in the private sector can be included or excluded from the definition of **corruption**, depending on the purpose and the context of the term’s use. This thesis does not restrict its study on **corruption** to a specific kind or type of **corruption**. Sometimes, I discuss political **corruption**, but at other times I examine bureaucratic **corruption** or petty **corruption**.

The relationship between inequality and **corruption** has important policy implications. Since the recent empirical literature on the consequences of **corruption** have found that **corruption** inhibits economic and social development, the possible mutually reinforcing relationship between inequality and **corruption** represents not just a problem of social justice but also a problem of human development.

Although literature on social trust is burgeoning and both **corruption** and inequality have been often mentioned as possible determinants of social trust, no single study has systematically explored the adverse impact of **corruption** and inequality on social trust, to my knowledge.¹ By social trust, I mean ‘generalized interpersonal trust.’ Social trust should be distinguished from “political trust” (confidence in political and public institutions) and from “particularized thick trust” (trust embedded in personal relations).

I explore how trust and trustworthiness affect each other and what societal factors influence trust and trustworthiness. I emphasize the importance of the fairness of legal and political institutions, and argue that **corruption** and inequality, in particular skewness, generate a sense of unfairness and erode social trust (generalized interpersonal trust). Specifically, my “fairness explanation” for cross-societal variation in social trust is contrasted with the “similarity explanation” that posits homogeneity of society—such as ethnic and income homogeneity—critically determines the level of social trust (Alesina and La Ferrara 2002). I propose that the negative effect of inequality on social trust is due to sense of unfairness rather than sense of dissimilarity.

My study of adverse impact of inequality and **corruption** on social trust has very important research and policy implications. According to recent research, social trust reduces transaction costs and thus contributes to economic growth, helps to solve collective action problems, facilitates civic engagement, and leads to better functioning government (Putnam 1993, 2000; Fukuyama 1995; Knack and Keefer 1997; La Porta et al. 1997). Hence, if my hypothesis of the negative effect of **corruption** and inequality on social trust proves to be true, it will provide a potentially powerful explanation as to why inequality and **corruption** are harmful to economic growth and social development.

Although many studies found a negative effect of **corruption** and inequality on economic development, theoretical accounts for why inequality and **corruption** inhibit development are weak. For example, some studies proposed that inequality inhibits economic growth by increasing inefficient redistribution (Alesina and Rodrik 1994; Persson and Tabellini 1994), but recent empirical findings show that higher inequality is associated with lower redistribution (Iversen and Soskice 2002). My study suggests that inequality and **corruption** hinder economic and social development by eroding social trust.

Figure I. 1. Hypothesized Causal Relationships between Inequality, **Corruption**, Social Trust, and Human Development

Inequality

Corruption

Distrust

Underdevelopment

(The dotted lines denote causal relationships established by previous studies, while the real lines represent hypothesized causal relationships of this study.)

In order to test my hypotheses and to identify causal mechanisms, I conduct rigorous empirical research including both quantitative and qualitative methods. Although large-N quantitative studies have an advantage in identifying correlations between an explanatory variable(s) and the dependent variable controlling for plausible covariates, and thus may be less vulnerable to omitted variables bias than small-N case studies, they are often vulnerable to endogeneity bias and weak at identifying causal mechanisms. Comparative historical case studies can be useful for establishing causal direction and illuminating causal mechanisms by examining the historical sequence and intervening causal process between an independent variable(s) and the outcome of the dependent variable (Rueschemeyer and Stephens 1997). On the other hand, a small-N case study alone cannot generalize a theory.

In my quantitative study of the causal effect of inequality on **corruption**, I attempt to overcome the deficiencies of previous studies by employing improved methodologies and using better data. Previous studies were vulnerable to measurement error and did not adequately address the problem of endogeneity. Like previous studies, I use measures of perceived levels of freedom from **corruption** such as Transparency International's **Corruption** Perceptions Index (CPI) and Kaufmann, Kraay, and Mastruzzi's (2003) Control of **Corruption** Indicator (CCI). Unlike previous studies, I use averaged data for both perceived freedom from **corruption** (for the period of 1996-2002) and the independent variables including income inequality (Gini index and mean/median ratio as a measure of skewness), democracy (political rights score from Freedom House), economic development (per capita income), and trade openness (percentage of imports plus exports over GDP) for a long period of 1971-1996. By using averaged data instead of single-year data, I expect to reduce the measurement error.

I also employ an instrumental variables method to cope with the problem of reverse causation. Economic development and trade openness may also be influenced by **corruption**, so I use instrumental variables for these endogenous variables as well. In addition, I examine whether inequality affects norms and perceptions about **corruption** significantly. If confirmed, this will be an additional piece of evidence for the effect of inequality on **corruption**.

In my quantitative study of correlates of social trust, I use data on social trust and other individual characteristics from the World Values Surveys and European Values Study that were conducted in 1995-97 and in 1999-2001. Like many previous studies, I use the binary responses to the question, "Do you agree that most people can be trusted or you can't be too careful in dealing with other people?" as a measure of social trust. There must be substantial measurement error in social trust, but this survey question seems to capture both trust and trustworthiness. Unlike previous studies, I employ a multilevel hierarchical logit model of analysis to estimate how much individual-level factors and

country-level factors affect individuals' probability of trusting others, as well as how country-level factors influence the effects of individual-level factors on social trust concurrently. Hierarchical models not only enable richer analysis but also solve statistical problems that conventional methods face.

One problem with statistical analysis of social trust is endogeneity, since social trust may affect inequality—say, through its effect on **corruption** and support for redistribution—because trusting people may tend to act more in a trustworthy and uncorrupt manner. Ideally, we should have longitudinal data that contain substantial cross-time variations in social trust, inequality, and **corruption**, or valid instrumental variables for inequality and **corruption**. However, neither adequate longitudinal data nor appropriate instruments are available. In this situation, it is not possible to establish causal direction through statistical analysis. Yet, by testing multiple implications of competing hypotheses, I hope I will be able to provide substantial evidence for either the fairness or the similarity explanation.

For a comparative historical case study of **corruption** and social trust, I selected South Korea (Korea, hereafter) as the primary case and Taiwan and the Philippines as comparison cases. The selection of Korea is natural for me as a Korean national, because I am most familiar with Korea. Moreover, Korea has been studied by many scholars as an important example of a “relatively uncorrupt” developmental state, together with Taiwan, or as a case of crony capitalism, together with the Philippines. Indeed, Taiwan and the Philippines are ideal comparison cases.

Korea shares many similarities with Taiwan and the Philippines. The initial economic conditions in the 1950s and 1960s were not much different among these countries. The three countries had all experienced colonial rule before the World War II, and were all heavily supported by the US during the Cold War. They all have been experiencing democratization processes over the last two decades. Despite the similar initial conditions, however, the levels of **corruption** and economic development today are quite different. Taiwan clearly has a lower level of **corruption** than the Philippines. Not only do all the available quantitative measures of (perceived) **corruption** indicate that fact, but also no qualitative studies exist to the contrary, to my knowledge. Where, then, is Korea's relative level of **corruption** located, and why is that so?

Various measures of perceived levels of **corruption** and of experience of **corruption** consistently show that Korea's level of **corruption** has been much lower than that of the Philippines but somewhat higher than that of Taiwan at least since the early 1980s. Also, the World Values Surveys show that the level of social trust is much higher in Korea than in the Philippines but lower than in Taiwan. Inequality of income and wealth in Korea is much lower than in the Philippines and slightly higher than in Taiwan. Thus, the correlations between inequality, **corruption**, and social trust among these three countries are consistent with my hypotheses.

Since the correlations do not tell us about the causal directions as well as causal mechanisms, I conduct careful process tracing. In particular, I focus on the role of land

reform and industrial policy. The success of land reform in Korea and Taiwan produced unusually equal distribution of income and wealth in these countries unlike in the Philippines where land reform failed. *Chaebol*-centered industrialization in Korea gradually increased inequality in income and wealth compared to Taiwan, however, where economic concentration has been deliberately avoided by the state. I intend to show that the success and failure of land reform and the initial adoption of industrial policy were affected very little by **corruption** and/or social trust but that these exogenous events produced different levels of inequality, and thereby different levels of **corruption** and social trust.

In my case studies of **corruption** and social trust, I use both the quantitative and qualitative data available. I use data from the World Values Surveys (1980-2000) and the Korea General Social Surveys (2003-2004), data on the experience of **corruption** and the perceived levels of **corruption** from multiple sources, journalistic reports of **corruption** including the prosecutorial report of illegal political funds, and other relevant data from secondary sources.

My case study will not only test my and existing **theories** of **corruption** and social trust, but also contribute to understanding development in Korea, and more broadly in East Asia, by critically reviewing and overcoming the weaknesses in developmental state literature and crony capitalism literature.

The organization of this thesis is as follows. Chapter II develops a normative theory of **corruption**, using Rawls' (1971) concept of 'formal justice.' I discuss how **corruption**, as a breach of 'formal justice', and inequality, as a problem of 'distributive justice' generally reinforce each other, and why **corruption** erodes social trust. I also examine the cases of conflict between formal justice and substantive justice, and propose that **corruption** may be justified only when the gain in substantive justice outweighs the sacrifice of formal justice.

Chapter III provides a theoretical account of why inequality increases **corruption**, in particular in democracies and conducts cross-national statistical analysis to test my hypotheses. Chapter IV examines what explains Korea's level of **corruption** relative to Taiwan and the Philippines as well as across time within Korea, focusing on the role of land reform and industrial policy.

In Chapter V, I propose a new theory of social trust that emphasizes the role of fairness of legal and political institutions and distributive fairness, and present the results of multilevel hierarchical analyses. In particular, I test multiple implications of the fairness and similarity explanations. Chapter VI attempts to explain Korea's level of social trust, relative to Taiwan and the Philippines as well as across time within Korea, focusing on the role of inequality and **corruption** and the close correlation between political trust and social trust. Chapter VII summarizes and highlights the scholarly contributions I have made in this thesis and discusses the research and policy implications.

¹ Uslaner (2004) linked trust with inequality and **corruption**, arguing that inequality erodes trust and that distrust increases **corruption**. However, he does not look at the adverse effect of **corruption** on social trust.

VIII

Page 1

Anti-**Corruption** – A Big Bang Theory

Bo Rothstein

This is very much work in progress – please handle with care

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Anti-**Corruption** – A Big Bang Theory

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Page 3

1. Prologue – searching for the keys

In January 2005, my colleague Sören Holmberg and I were approached by the CEO of one of the major funding agencies for research in Sweden - *The Foundation for Strategic Environmental Research*. The reason was that he had heard about our new research initiative - The Quality of Government Institute - and wondered whether we would be interested in working out a “greenish” research program that they could fund. He envisioned “big money”, but the proposal came with a string attached. Our research had to become “user-friendly” and, In order to ensure this goal, we had to work under the direction of a board made up of potential users not only for the eventual research program, but also (and to my surprise) in preparing the application. As head of the board he appointed Mr. Sven Sandström, who had just retired

from his position as vice-president of the World Bank. In our subsequent meetings, Mr. Sandström repeatedly stated two arguments. One was the need for a specific time-table for when we would deliver the results that anti-corruption organizations (such as the World Bank) could make use of - what was called “deliverables”. The second argument was whether we could specify the nature of the “keys” for curbing corruption that he thought our research would produce. He envisioned that such “keys” would come in the form of specific institutional devices that could be put in place and that would set in motion an incentive-driven change that would lead a country (or a certain sector in a region, like the forest industry) out of corruption. My arguments that this could not be done because the very reason you conduct this type of research is that you don’t know what you may find and you also don’t know if your results will be useful for policies, were not well received by Mr. Sandström. Needless to say, this collaboration did not end in a friendly mood (and I came to detest the word “deliverables”).

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However, Mr. Sandström is not alone in having this idea about corruption research. Most scholars who venture into research on corruption and present their ideas to policy people, students and colleagues outside this research field experience similar things. After having explained why corruption is an interesting topic for research, how you think corrupt practices work and its (devastating) consequences for many areas, the question about “what to do” quickly comes up. Most people, not least other social scientists (not to speak of students), I see my op-ed in the Swedish daily *Dagens Nyheter* 05-06-2006. It is not that I’m against policy relevant research – on the contrary I would very much like for my research to be useful for policy. Instead, it is the idea that you beforehand can know what you will find.

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have this idea about “keys”. Their idea seems to be that there are some kinds of buttons you can press that will set in motion an incremental process of change that will function like a path that step-by-step leads a society away from systemic corruption. It seems as if many colleagues in the social sciences are nowadays inclined to understand social changes in a path-dependent, incremental way. Whatever state of affairs a society has reached, this has started from some “critical juncture” or “formative moment” that took place a long time ago. Some sort of minor institutional change has in such a situation set in motion a kind of “feed-back mechanism” or “auto-correlation” that leads to a virtuous (or vicious) causal circulation between two or more variables so that they reinforce one another over time and keep the society spinning on the “chosen path”. As Paul Pierson puts it, “As feedback loops become central to the process that follows a critical juncture, it becomes impossible to delineate clear causes and effects; instead, a set of factors mutually reinforce one another.” (Pierson 2004, p. 95) He also states that: Initial steps in a particular direction may encourage further movement along the same path. Over time, roads not chosen may become increasingly distant, increasingly unreachable alternatives. (Pierson 2004, p. 64). In this line of thinking, analyses about curbing corruption are geared towards finding those “initial steps”, this magical “key” in the form of a small institutional device that will make a country start spinning on a new path that leads out of systemic corruption. A typical instance of this thinking can for example be found in the World Bank’s report about policy measures to combat corruption in “transition countries”. For the successful implementation of anti-corruption policies, the report states that the challenge is to find “an appropriate entry point for anticorruption work”. Moreover, the report states that “it is critical to begin at a point where the goals are feasible and tangible results can be realized within a time frame that builds support for further reforms. Small gains can provide essential levers to sway public and official opinion.” (World.Bank 2000, p. 75). Thus, if we could only find this magic key (the “entry point”), and change this institutional device, we would be able to advise policy-makers

Page 5

on this important topic. If large differences start out with small changes, we need to find this small thing because huge (society wide) things like systemic corruption are otherwise hard to change. The argument in this paper/thought piece is that this is the wrong way to think about possible policies for curbing corruption. There is no magic key or simple institutional device – instead what is needed in order to change the nature of corruption and its related practices is a “big-bang” change. Moreover, “key-type” small changes are likely to worsen the problem and make corruption and similar practices even more ingrained.

2. Corruption – the nature of the problem

In the recently published *Handbook of Political Economy*, the economic historian (and Nobel Laureate) Douglass C. North has a chapter at the end (the 57th!) titled “What is missing from political economy”. Although he has a few courteous words to say about the other sixty or so authors in this voluminous handbook, he also criticizes the political economy approach for missing “a series of bigger questions”. The most important one he states as: “why aren’t all countries in the world advanced industrial nations? Why do legislatures produce secure property rights and the rule of law in the developed world but not in the developing world?” (North 2006, p. 1003). He also states that “we have yet to figure out what makes the non-developing countries so stable”. His explanation for this “big black hole” in the political economy approach is twofold: First, North argues that current political economy approaches “do not adequately address the problem of non-incremental change” (North 2006, p. 1004). Secondly, almost all analyses focus on the effects of formal institutions while missing out on the informal ones which for North are both more important and more interesting since they structure the agents’ beliefs, mental maps and learning processes. Since systemic **corruption** is very much an informal institution, and since it is likely to be driven by agents’ beliefs about other agents’ beliefs, it is telling that there is no chapter on **corruption** or similar issues in this handbook. In fact, looking at the subject index of this eleven-hundred page handbook, it is noteworthy that the issue seems to play a very minor role in the field of political economy. As Michael Johnston recently has argued, it is puzzling that “American political science as an And I should confess that I am one of the worst sinners here, see Rothstein 1992, and the critique launched by Shalev 2007.

Page 6

institutionalized discipline has remained steadfastly uninterested in **corruption** for generations” (Johnston 2006, p. 809). This is peculiar since there is by now quite compelling empirical support for claiming that the quality of a country’s political institutions determines its economic and social development (Mauro 1995; Rodrik 1999; Rose-Ackerman 2004). There is certainly a large discussion of what should count as “high-quality” institutions, but in both political science and economics one can speak about an increased focus on the importance of institutions (for an overview see Rothstein and Teorell 2005). It seems also to be the case that **corruption** destroys a society’s social capital (Dinesen 2006; Rothstein and Eek 2006; You 2006). Moreover, together with “subjective health conditions”, **corruption** has a very negative impact on people’s happiness (Helliwell 2006).

The problem with **corruption** is that this is a phenomenon that seems to be very “sticky” (Rothstein and Uslaner 2005; Uslaner 2008 (forthcoming)). In plain language, most empirical research shows that “once the system gets there, it stays there”. Understood in a game theoretic framework, once **corruption** becomes systemic and the existence of widespread corrupt practices becomes “common knowledge”, we seem to have a case of an extremely robust inefficient equilibrium. To use Bardhan’s expression: “**corruption** represents an example of what are called frequency-dependent equilibria, and our expected gain from **corruption** depends crucially on the number of other people we expect to be corrupt” (Bardhan 1997, p. 1331). As Douglass North has argued, it is a puzzle why not countries “that have institutional frameworks that are inhospitable to economic growth simply adopt the frameworks of the successful economies” (North 1998, p. 493). He also argues that we should realize that “efficient institutions” are the exception and that, contrary to earlier functionalist reasoning, we have to accept the fact that “history is not efficient” in the sense that ineffective institutions will be weeded out by increased competition which was the thought by functionalist type of economic reasoning (North 1998, p. 494).

The reason why **corruption** is a sticky problem is that none of the “players” in this “game” have reasons to change their strategy (to pay or demand bribes). This is so, even if they all realize that they as a collective stand to loose from the ongoing **corruption** and even if most agents morally condemn corrupt practices (Karklins 2005). Agents at the bottom of a corrupt system, such as the “street level” tax bureaucrats, policemen or public health physicians, have

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no incentive to refrain from corrupt practices because even if they as individuals start behaving honestly, nothing will change as long as most of their colleagues do not change their behaviour (Rothstein 2005). In such situations, collective action for the common good is impossible to establish, at least as long as the majority of the players act so as to maximize their expected utility. This was nicely captured by the Swedish Nobel laureate Gunnar Myrdal already in 1968 in his important work about what he labelled the “soft state” problem in Asian countries. According to Myrdal, the ordinary “street level” official would reason like this: “Well, if everybody seems corrupt, why shouldn't I be corrupt” (Myrdal 1968, p. 409). As is well known, it makes no sense to be the only honest player in a rotten game because that will not change the game. The implication is that a corrupt system usually cannot be changed “from below”.

However, as shown by cases such as Singapore and Hong Kong, **corruption** can be successfully fought from above (Root 1996). Strong and determined political leaders can successfully fight **corruption** if they are determined to do so. One problem, at least from a normative perspective, is that both these well-known success stories also come with some bad news, namely that democracy seems not to be the best cure against **corruption**. Neither country was a democracy when their successful campaigns against **corruption** were launched. Instead, it was autocratic leaders who were isolated from public pressure and opinions that managed to install effective measures against **corruption**. In fact, democracy seems to be curvilinearly related to the level of **corruption** (Montinola and Jackman 2002; Sung 2004). Empirical research indicates that some democracy may at times be worse for impartiality than none. For example, some of the worst cases of **corruption** have appeared in newly democratized countries, such as Peru under its former president Fujimoro (McMillan and Zoido 2004).

In a comparative perspective, Hong-Kong and Singapore are deviant cases since they have had few followers (Uslaner 2008 (forthcoming)). Despite the huge efforts made by many countries and international organizations to curb **corruption** during the last decade, there seem to be very few success stories (Johnston 2005, p. 195). The reason may be that while leaders do have the necessary means for launching successful policies against **corruption**, they usually have no incentives to do so for the simple reason that they are often the ones who stand to gain most from rents in a corrupt system (Johnston 2005).

One more important factor needs to be mentioned. While the practice of **corruption** clearly has cultural traits, it should not be seen as culturally determined. As shown by, e.g. Hilton Root's studies of Hong Kong and Singapore mentioned above, the quality of political and legal institutions is not culturally determined. As is well-known, those societies have experienced remarkable economic growth, and Root shows convincingly that the prerequisite for that growth was the successful fight against **corruption** beginning in the 1970s. In a comparative perspective, those countries are distinguished by a relatively low extent of **corruption**. In the latest measurement published by Transparency International, Singapore was rated 9.3 on their 0-10 scale, sharing 5 th place with Sweden, while Hong Kong was in 14 th place (index 8.2). The measure used by Transparency International shows that nearby countries, which can be reasonably placed in the same cultural sphere, are considerably more corrupt. China is in 59 th place with an index of 3.5. Indonesia, Singapore's neighbour to the south, ended up far down on the list in 96 th place with an index of 1.9, and its northern neighbour Malaysia was ranked 33 rd (index 4.9).³ We can conclude from these differences between nearby countries that the extent of **corruption** is not necessarily culturally determined (Hodess, Banfield and Wolfe 2001). According to Rasma Karklin's analysis, “ordinary people” in corrupt systems do not internalize corrupt practices as morally legitimate acts. Instead, they usually condemn **corruption** as morally wrong and put the blame on “the system” for forcing them to take part in **corruption** ((Karklins 2005). Given that they were confident that most other agents would not participate in corrupt practices, their main preference would be not to take or give bribes. However, given the opposite, the interest that they de facto act upon, results in corrupt behaviour. This is important because it makes clear that while standard ideas of micro-level rationality is important for understanding the “inner” self-perpetuating logic of a corrupt (and non-corrupt) equilibrium, it is of little help if we want to explain why different societies end up in such different equilibria (given that utility-based rationality is a concept

with universal range). Moreover, standard conceptions of such utility-based rationality cannot be used to explain this type of systemic variation. This certainly creates a problem: if variation in levels of **corruption** can neither be explained by standard type utility based notions of economic rationality, nor with references to culture, then which type of ideas about what guides agency should we use? One way out of this dilemma has been shown by the game-theorist (and, 3 www.transparency.org – **Corruption** Perceptions Index 2002.

again, Nobel Laureate) Robert Aumann who together with Jacques Dreeze have made an important addition to how we can better understand the relation between rationality in n-person games and variations in aggregate outcomes. In a paper with the telling title “When all is said and done: How should you play and what can you expect”, they launch the concept of “interactive rationality”. Their major idea is that when analyzing situations of strategic interaction, one should take into account not only that all agents may be rational, but that when deciding “how to play”, all agents must reason about what is the most likely strategy for all the other (rational) agents. This implies that corrupt behavior (or non-corrupt) should be seen as a mutually reinforcing phenomenon – the reason you may believe that most other people will “play honestly” (or not) is because you also believe that they believe that people like you will “play honestly” (or not). Thus, the decision to take part in **corruption** should not

be understood as resulting from what the individual thinks about her own moral orientation (i.e., if she believes that most other people are honest), or her own utility-function, but also what she believes that “other people” think about her (and all the other people’s) trustworthiness and utility-function(s). Thus, “I believe that you can be honest if I also believe that you believe that I can be honest”. And vice versa, I distrust other people in my society because I believe that they distrust most people, including people like me, to play honest. The implication is that:

if one is given only the abstract formulation of a game, one cannot reasonably hope for an expectation and optimal strategies.

Somehow, the real-life context in which the game is played must be taken into account. The essential element in the notion of context is the mutual expectations of the players about the actions and expectations of the other players (Aumann and Dreze 2005, p. 9)

Thus, the outcome of social and economic interactions depends on how the “real-life context” has constructed the “mutual expectations,” for example, the expectation of whether the other agents will take part in corrupt exchanges or not. The specific question is how we can perceive of the way a real life agent makes up his or her mind about whether or not to participate in a corrupt exchange.

There is certainly no **corruption** free country. However, I have now lectured to first year undergraduate students in political science about social capital and **corruption** during ten

semesters at my department in Göteborg. All in all, I have had about a thousand students. Every semester, I have asked if anyone has been approached by a Swedish civil servant for bribes. Remember that Sweden has an encompassing welfare state and the people therefore have numerous contacts with all kinds of “street-level bureaucrats”. All in all, only two students have raised their hands (and in both cases it turned out to be that they had been given the right to jump the queue for surgery in public hospitals because they were athletes and the leaders of their sports clubs had intervened). Since Sweden has become a country with a sizeable population of immigrants, I get a fair amount of students who come from countries that have high levels of **corruption** (for example from Bosnia, the Baltic States, Iran, Iraq, etc.). In the following discussion, they often state that this non-**corruption** is what has most surprised them and their parents/family about Sweden.

Secondly, think of an agent who has lived her whole life in a society where **corruption** is “systemic”. This is a system where the need to offer bribes and the need to demand bribes in order to maintain what is deemed as the necessary services and/or economic standard is ingrained in most agents’ “mental maps”. When you go to the doctor, when you see your

children's schoolteacher, when you put in a bid for a public contract, when you need a license for your restaurant, when you want to take an exam at the university, when you apply for a job in the public sector, when you are stopped by the police, then paying bribes or carrying out similar illegal actions is simply the "standard operating procedure". You have done so all your life, as has everyone you know, and this way of doing things is "common knowledge". To give one example: In 2002, the United Nations Development Program, the organization responsible for the UN's yearly "Human Development Reports" launched a "regional study" of Bosnia-Herzegovina. The report has a section about **corruption** in which results from a survey are presented showing that about 70 percent of the population in Bosnia-Herzegovina believe that their local authorities are "severely corrupt". This was maybe not so surprising, but the fact is that an equal percentage believed that the international aid organizations working in the region, including the UN organizations, were as corrupt. The interpretation of the situation in the report reads as follows:

For the average citizen, therefore, it seems that **corruption** has broken down all barriers and dictates the rules of life. That is not very different from saying that *they interpret life in terms of corruption*. (UNDP 2002)

If you "interpret life in terms of **corruption**", this amounts to what reasonably can be called a *deeply held system of beliefs*. If the ideas presented here about how **corruption** is reinforced by such beliefs and that we should understand rationality as "interactive", this has a number of implications for what can count as an anti-**corruption** strategy with a reasonable chance of success. Simply put, my argument is that in order to change such deeply held systems of beliefs, something "big" and "non-incremental" seems necessary.

The state of anti-corruption research and policy – a critique

A society faced with the task of addressing systemic **corruption** needs to ask itself two principal questions. First, what types of structural reforms are necessary in order to reduce **corruption**? Common suggestions are to create new or to change existing legal institutions in order to alter incentive structures for taking or offering bribes. Secondly, which types of *processes* are likely to be successful for enacting such reforms? Most research on **corruption** has mainly focused on the first, structural, question while the second one about the change of processes, strategies and agents' cognition have to a large extent been ignored.

One case in point is William Easterly who suggests two measures to curb **corruption**. "First, set up quality institutions... Second, establish policies that eliminate incentives for **corruption**" (2001: 252). Similar suggestions have been put forward by Alence in his *Political institutions and developmental governance in sub-Saharan Africa*, which examines how different types of political institutions affect the degree of **corruption** in 38 African countries. The conclusion is that a combination of electoral competition and institutional checks and balances on executive power has a negative effect on the frequency of **corruption**. In other words, this strategy suggests that the idea and the practise of liberal democracy work counter to **corruption** (Alence 2004: 163). In *Seed of corruption – do market institutions matter?* Broadman and Recanatini identify that the establishment of a number of market economic institutions are key to change, among others "clear and transparent rules...and a robust competitive environment" (Broadman & Recanatini 2001: 359). Sandholtz and Koetzle, in a comparative analysis, find statistical support for their hypothesis that low levels of **corruption** correlate positively with the presence of formal democratic institutions, such as individual liberties and citizen rights, and with informal institutions like democratic norms. Their idea is that formal democratic structures facilitate citizen oversight and control, and that in a culture characterized by democratic values it is against normal behaviour to act corrupt (Sandholtz & Koetzle 2000: 37-39). Many analyses of Hong Kong have pointed at the importance of an independent anti-**corruption** agency.

What these examples of the anti-**corruption** literature tell us is that by "fixing the incentives", the problem of **corruption** would be solved. It thus seems really simple: just increase the negative pay-off to a point where the fear of being caught would be higher than the greed that leads agents to engage in fraud and **corruption**. The recipe would thus be that when a society's institutions are constructed so that fear is larger than greed, things go well. There is just one small problem here, namely constructing such institutions is in itself a collective action

problem that is not likely to be solved within a society dominated by corrupt agents (Falaschetti and Miller 2001). Or to use Elinor Ostrom's words, there exists a collective action problem of the second order (Ostrom 1998). Why would agents that either stand to gain from corrupt practices or who can only lose by refraining from **corruption** at all be interested in creating such "efficient" institutions?"

In fact, the list of authors that are content with establishing that institutions which are characteristic for stable democracies with a well-functioning market economy show a relationship with low levels of **corruption** is very long. But as Hans Blomkvist has asserted, much of the advice emanating from works like the ones mentioned above and from organizations like the United Nations Development Program, the International Monetary Fund, and the World Bank on how to curb **corruption**, is based on the presumption of access to the kind of administrative praxis and institutions that notoriously corrupt countries lack (Blomkvist 2001).

Instead of explaining the causes of **corruption**, what authors in this approach have produced is descriptions of how the institutional systems in corrupt and non-corrupt countries differ from one another. To offer transparency, democracy, independent judicial anti-**corruption** agencies or "good governance" as explanations and solutions to the issue of **corruption** leaves, in the best-case scenario, many important questions unanswered. A more fundamental critique is that in many cases, what is produced are clear examples of tautologies. In the language of causality, it could be formulated as if the dependent and the independent variables are so close as to be identical to one another and that the connection between them is reciprocal rather than causal. In states that are blessed with an independent and honest judiciary, effective institutions for anti-**corruption** measures, effective audit systems, effective laws guaranteeing freedom of information and a free media, and where liberal and human rights are effectively protected, it is obviously quite right that these institutions facilitate political accountability and counteracts **corruption**. However, in states that on the contrary suffer from systematically corrupt structures, it is likely that the causal mechanism works in the opposite direction, meaning that it is the **corruption** of precisely these types of institutions that are holding back development towards democratic governance (Warren 2004). In the search for universal **theories** on causes and solutions concerning **corruption**, many researchers do not recognize the inbuilt inertia (or path-dependency) of corrupt institutional systems. With the wording of Robert Harris:

...just as a predominantly non-corrupt system will self-correct to deal with corrupt individuals and the legislative or political flaws that facilitated their **corruption**, so will a predominantly corrupt system self-correct to maintain its **corruption** following a purge. (Robert 2003, p. 63)

Variables such as "high quality institutions" and "good governance" are in fact very close to what is usually considered as the exact opposite of **corruption**. As Claus Offe has argued, questions remain on what brings countries into a vicious circle with corrupt institutions and also, in a corrupt context: "which motives, values, and political forces would actually push forward the reform project... what are the incentives to introduce incentives designed to control **corruption** or to redesign opportunity structures? (Offe 2004, p. 91)

In addition, if new institutions have to be created, the questions about agency becomes central. It seems as if the search for structures that co-vary with low levels of **corruption** has taken place at the expense of the attention assigned to what agents there are and which strategies they can use. If we are to establish a thorough picture of what can become a successful reform process, research should start to identify different agents' roles and interests (Dininio 2002: 8). Essential questions are for example what groups can be expected to oppose

reforms and how this resistance should be dealt with? Who are likely to support change and how can they best be involved in the struggle against **corruption**?

4

What can possibly curb **corruption?**

In a recent article, the Romanian political scientist Alina Mungiu-Pippidi stated that although

international donor organizations put great effort and spend large sums on anti-**corruption** policies, there seems to be little evidence that this has accomplished much and there are few success stories to tell. She warns that the many campaigns and efforts that turn out to be ineffective “renders voters extremely cynical and threatens to subvert public trust in emerging democracies” (Mungiu-Pippidi 2006, p. 82). The problem according to her is that these campaigns fail to take into consideration that **corruption** in a country like Romania is rooted in a particularistic political culture in which almost all public goods are distributed on a “nonuniversalist basis that mirrors the vicious distribution of power” within this type of society. The risk is therefore that the anti-**corruption** measures that are put in place with support from international organizations (such as a new anti-**corruption** agency) will be taken over by corrupt or semi-corrupt networks. At the root of systemic **corruption** is a particularistic political culture, which is defined as a system in which the government’s treatment of citizens “depends on their status or position in society, and people do not even expect to be treated fairly by the state; what they expect is similar treatment to everybody with the same status”. Thus, within such a particularistic political culture, where what you get from the public sector depends on your connections, your ability to bribe, or your participation in various clientilistic networks, the establishment of a few new “western style” institutions will not help against **corruption** because they will become impregnated by the dominating particularistic political culture. According to Mungiu-Pippidi even the most

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In addition, I do not believe that the argument put forward by for example Tanzi (2000) and Alesina and Angeletos (2005) that it is the size of government that causes **corruption** is convincing. For example, when the

latter, from deductive reasoning, concludes that “a large government increases **corruption** and rent-seeking”

(2005:18) this flies in the face of all known empirical research. One example is that the countries that according

TO all established measures of **corruption** score best are the Nordic ones. Much can be said about these countries, but not that the size of their public sectors are small or that they lack policies for regulating the economy and social conditions.

famous of Swedish anti-**corruption** institutions, “the ombudsman”, which has been reproduced in many emerging democracies “has been largely unsuccessful, as the historical process that promoted universalism at the expense of particularism in the Scandinavian countries has not been replicated as well.” (p. 96). This conceptual division between universal and particularistic political cultures resembles what North, Wallis and Weingast in a recent paper have labelled a “limited access social order” versus an “open access social order”. The former is according to the authors characterized by “privileged access to valuable rights and activities” and “builds on inherent affinity in human nature for building *personal* relationships” (North, Wallis and Weingast 2006, p. 31f). An aristocratic-feudal state, a third world “crony-capitalist” autocracy, or a Soviet style communist state comes to mind. In contrast, the “open access social order” (mainly the advanced OECD countries), is according to North et al. characterized by free access to political and economic arenas of competition using specific but *impersonal* contractual forms (p. 40). It is this Weberian “impersonal” form of governance and contracting that can be characterized as the basic norm in an “open access” or “universal” social order/political culture. The point I want to make is that both North et al. and Mungiu-Pippidi argue that **corruption** and similar practices are rooted in deeply held beliefs about the proper order of exchange in a society – personal-particularistic versus impersonal-universalistic. The implication is that to really curb **corruption** etc., the whole social order/political culture has to move from the “limited access” or “particularistic” equilibrium to the very different equilibrium characterized by impersonal-universal forms of exchange. In both papers, a central argument is that a specific type of institution (for example the legal system or a constitution) will have vastly different functions under different settings. The implication is that taking small steps by installing a few specific institutions, such as the

Swedish type of “ombudsman”, to induce change from one political culture/social order to the other, is in all likelihood a meaningless policy. “History... does not seem to present us with a wide spectrum of societies gradually making a transition from old to new political and economic institutions” (North 2006, p. 1003). Unfortunately, how such a transition can be made we know very little about (Levi 2006). The establishment of universal, impersonal and impartial political institutions that make “credible commitments” between competing actors possible remains a mystery, not least from a rational choice perspective (Falaschetti and Miller 2001; Hechter 1992; Lichbach 1997; Rothstein 2005, ch. 7). Or as it is stated in another recent handbook chapter, the puzzle is that such “efficient” institutions “operate in a few advanced contemporary countries and only in recent times. We know surprisingly little,

however, about the institutional developments that led to these modern successes” (Greif 2005, p. 773).

So far I have only talked about changes in formal institutions, but many scholars, including North, emphasise the role of informal institutions as well. The operation of such institutions is of course difficult to detect, but one clue may be found in the strong correlation that exists between high levels of social trust and high levels of trust in the legal system and low levels of **corruption** (Rothstein and Stolle 2008). There is a vast discussion of how the standard general trust question can be interpreted (or if it measures anything of value at all). I agree with Delhey and Newton that when people answer the survey question of whether they believe that “most other people can be trusted”, this can be interpreted as their evaluation of the moral standard of the society in which they live (Delhey and Newton 2004). Logically, if most people think that most people in their society will behave in an honest way, the individual agents who enter into a transaction with someone whom for her is unknown have less reasons to fear becoming a victim of treacherous or exploitative behaviour. Therefore, cooperation between people who do not have personalized knowledge about each other will be more common in a society with a high level of social trust. If we follow the idea of “interactive rationality” as stated above, the outcome of social and economic interactions depends on how the “real-life context” somehow has constructed the “mutual expectations”, for example the expectations of whether the other players can be trusted or not. Such a real life context can be the perceived level of **corruption** because it is likely that when people evaluate the moral standard of the society in which they live, the conduct of public officials serves as their main heuristics (Rothstein 2003). If the health care people in the local public hospital, the local police, judge, school teacher or other civil servants cannot be trusted because they demand bribes or discriminate against “people like you”, then how can you trust “ordinary people” in your society. As the German proverb goes: “Der Fisch stinkt vom Kopf her”. This does not imply that in a society with a high level of social trust, people will entrust complete strangers with very valuable assets without having some other reassurance against being exploited. Instead, it is more reasonable to think that in such a society, people may buy a used car from someone who does not belong to their ethnic tribe, hire a person to work in the small business who is not from ones own extended family, or rent out ones house while on a sabbatical to someone who does not belong to the same academic network (or clan). The implication is that social trust can be understood as a sort of “default position” when dealing with unknown people which is the same as saying that it is a Douglass North type of “informal institution”. As could be expected, the level of social trust in different countries is also very stable over time (Rothstein and Uslaner 2005). The implication so far of this analysis is quite negative. First, **corruption** is driven by the workings of a large set of formal and informal institutions in a society. Secondly, neither the formal institutions nor the informal ones are easily changed since they constitute “self-reinforcing” equilibria. If an agent tries to reform a single or a small set of the institutions in a corrupt-particularistic-limited access political culture, it will in all likelihood backfire since the new institutions will be overtaken by the corrupt etc. networks and practices which, in its turn, will increase cynicism among the population and serve to de-legitimize all future anti-**corruption** efforts.

19th Century Sweden – how corruption came to and end

When Daniel Kaufman, chief economist at the World Bank Research Institute, visited a conference held by the Quality of Government Institute at Göteborg University in November 2005, he made an interesting remark about our research program. Instead of studying corruption in severely and semi-corrupt countries, we should study why Scandinavian countries have such low levels of corruption. For Kaufmann, this was something of a puzzle since these countries have many of the features which, according to leading economists, should spur corruption. For example, they have large public sectors, are big on public services, have lots of regulations, high levels of taxation and large bureaucracies which, moreover, have lots of discretion in how to apply laws and policies. According to most established theories, these countries should be corrupt beyond repair. However, as is well-known, precisely the opposite seems to be the case. A similar story is told by Robert Nield in his book “Public Corruption – The Dark Side of Social Evolution”. According to Nield, he got the idea to write the book from a conversation he had had in the late 1960s with Gunnar Myrdal, who had convinced him that “instead of asking the conventional question, ‘why is there so much corruption about and what can be done about it?’, one should ask. ‘why was corruption ever suppressed?’” (Nield 2002, p. 201).

Contrary to what is often believed, the early 19

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century Swedish state was clientistic and to quite some extent corrupt (Rothstein 1998). Probably not to the level of some African or Balkan countries; a fair guess would point to Romania or Hungary (if such a comparison is at all meaningful?). Nevertheless, in the early 19

th

century Swedish civil service, it was common that one and the same civil servant held 5-6 full-time positions, that personal contacts with the King’s court was more important than impersonal laws, that those belonging formally to the nobility had precedence to positions in the courts and the civil service, and that obedience to laws were seen as a more or less voluntary thing. The *accord system* allowed civil servants who wanted to advance their careers to persuade higher-ranking civil servants to resign their offices by paying them an *accord* in the form of a certain sum of money (Frohnert 1993, 287). The higher ranking civil servants could then, in turn, use the money to purchase new positions or they could use it as their pension. The system worked partly because no sort of effective pension system for civil servants had yet been established. But it also worked because there had been no age limit established for when a civil servant could be forced to leave his post. Neither severe forms of illness nor any other gross inability to carry out ones duties were valid grounds for removing someone from public office. This of course was a consequence of public offices being regarded as the officeholder’s property comparable to fiefdom type land. During the eighteenth and nineteenth centuries a number of royal prohibitions were issued that addressed this position-purchasing system (Myrberg 1922). The fact that these hardly made an impact provides insight into the legislative system of a particularistic limited access type of society.

Another example is education and skills. In a Weberian type of universalist bureaucracy, civil servants have to have a certain degree of specific knowledge about the legal and administrative systems of the state, and recruitment is to be meritocratic. In the early 19

th

century Sweden, this was not usually the case. In his history of Uppsala University, Sten Lindroth describes the education in law as being stuck in a veritable intellectual as well as organizational morass that lasted to the first decades of the nineteenth century. The same situation has been depicted about another Swedish university during the same period (Lindroth 1976, 163-166; Lunds universitets historia 1971, 224). For example, in 1797 there were complaints from the chancellery college to the governing board of the University of Lund:

at times we must understand that the young men who seek entrance to the chancellery offices have not possessed the knowledge in science and language necessary for a chancery subject, notwithstanding they were furnished with academic qualifications

(ibid.).

This slump pertained, not least of all, to the so-called *ämbetsexamina* (the degree qualifying for higher civil service posts) which served as the foremost recruitment instrument for employment in the central administration. In 1859 Samuel Olivercrona writes the following in his historical account of the legal education at the Uppsala University School 1785-1823: during the long period when Hernberg, Lundström and Drissel occupied the prominent *juris patrii* profession, the purely legal studies sank to their lowest point of ruin. The so-called *Hoffrättsexamen* became insignificant, the Bachelor of Law degree was implemented with the highest degree of ease, and in the study of Roman jurisprudence, even the most cursory knowledge was not required (Olivercrona 1859, 14).

The so-called *kamalexamen* (finance degree), one of the above-mentioned civil service degrees with which the very highest positions in the state apparatus could be reached, was regarded by the famous so-called "Genius Committee" (a committee of learned scholars put up by the government for investigating the education system) in their report of 1828 as pure parody (Lindroth 1976, 165). Per Frohnert's detailed study of the local tax administration also shows a lack of requirements of formal education for local civil servants during the 18th and early 19th

centuries. The Crown did not reward academic degrees when such local positions were filled. The reason seems to have been that the rules and practice of tax collection differed between different counties (Frohnert 1993, 165). This is of course an indication that "general rules" in a Weberian sense did not play a significant role even in such a crucial matter as taxes.

In 1797, in response to the criticism against the low quality of education of its graduates, the University Chancellor explained that the one factor primarily responsible for the unfavourable conditions was that students who were still children were being enrolled in the universities. He was referring adolescents in their early teens, who for understandable reasons could not benefit from the education they were being offered. This in turn was a consequence of the fact that

parents and relatives, whose main goal is only to hasten the early entrance of their children to a civil service career, either out of conceit or ignorance,...build their hopes of future advancement more on wealth and privileged connections than on duly

founded ability through hard-earned requisite learning (Lunds universitets historia 1971, 238).

Since the principle of seniority was the most important for competitive advancement, it was a matter of gaining entrance for one's offspring to a department where he could be employed already as a two-year old child (naturally without being required to work or receive compensation).

Eventually rules were introduced that established guidelines for the minimum time of study, as well as age limit requirements for employment in the civil service departments.

Nevertheless, in response to a letter regarding the education of future civil servants, the then Professor Holmbergsson at Lund University stated in 1831 that education was not going to be improved by establishing minimum time of study regulations and age limit requirements. Holmbergsson proposed that what instead needed to be done was to change the promotion system of governmental departments so that actual merits and years of service, rather than personal relationships, were the deciding factors for career advancement (Lunds universitets historia 1971, 244).

In addition, the system of pay was far from being universal and impersonal during the first half of the nineteenth century. Even though pay in kind was the most common, monetary remuneration did exist. Perquisites and fees for job-related services (henceforth, service fees), or bribes by today's standards, were abundant (Cavallin 1996). It was also common for the

civil servant to receive income from land and residences that belonged to the position (Westerhult 1965, 107-123, Rabenius 1866, 324-330; Kammarkollegiets historia 1941, 274-278). Civil servants were often appointed, especially within the higher administration and the universities, in the absence of sufficient funds with which to pay them, and without the expectation that they were going to perform any work (Lunds universitets historia 25-27). In the local government administration, for example, income for the very same job was, according to Westerhult, “so varying that many of the best-paid civil servants had twice the pay of their less fortunate colleagues” (Westerhult 1965, 197). Frohnert’s study of local bailiffs during the 18

th

century shows that “a large portion of wage income was, through the *indelningsverket* (system of allotment), tied to individual peasants who were obliged to deliver grain, money or other goods” (Frohnert 1993, 367). In a letter to His Majesty the King in 1811, the directors of the Exchequer Board pointed out that since the pay had fallen to such

a low level, a large number of civil servants had taken work in other national boards or agencies or with county governments (all the while retaining their old positions, of course), and that this had considerably complicated and delayed work within the agency (Kammarkollegiets historia 1941, 278). The holding of several positions in this way was very common and the system was not prohibited until 1879. In a 1822 report, the government departmental committee appointed in 1819, declared that owing to the poor pay those civil servants who did not have private fortunes were forced to either look for other posts and public offices or gain their livelihood through private business affairs (in Rothstein 1998). In sum, in the beginning of the 19

th

century, the public administration in Sweden was “pretty bad”.

The change towards a Weberian style bureaucracy came between 1855 and 1875 and was both “non-incremental” and dramatic. Most important, the whole idea of what it meant to be a civil servant changed. Instead of seeing this as the equivalent to a feudal type of enfeoffment that the “owner” could use for extracting rents pretty much according to his own will, a public position was instead now understood in a modern Weberian way. In other words, it was transformed into a full time job for a fixed wage that one could only get in an open meritocratic competition and that was going to be carried out according to a set of stipulated universal rules and laws (Rothstein 1998). **Corruption**, clientilism and similar practices did of course occur, but there were no longer seen as the “standard operating procedure”. Maybe the most telling evidence for this is the novel “The Red Room” published in 1879 by Sweden’s still most famous author – August Strindberg. In this novel, Strindberg (who was a leftist radical) gave a very vivid and negative description of a prototypical civil service administration (the fictitious National Board for the Payment of Wages for the Civil Service). The bureaucrats were described as utterly conservative, lazy and ineffective (this still makes for a good read). However, he did not portray them as corrupt! A fair guess is that if civil servants would have been generally considered corrupt at this time, Strindberg the radical would have added this to his long list of faults in their behaviour. But he did not do so and my guess is that the reason was that it would not have had broad resonance in the public opinion at this point in time.

The research about how this change could come about is still in progress. However, what is remarkable for this period is the many and dramatic changes that took place during a fairly short period of time. Below is just a partial list:

1842-1862: Major reforms of the public school system – mandatory and free basic education for everyone is established together with the National Board of School Inspectors

1845: The right for the government to confiscate newspapers is abolished (de facto

establishment of the freedom of the press).

1845: The last formal aristocratic prerogative for higher positions in the state is abolished

1845: Law about the right to equal inheritance between men and women

1846: The guild system is abolished

1848: Introduction of the joint-stock company law

1864: Freedom of trade is established

1853. New rules for university educations establishing higher standards for degrees

1858: Freedom of religion is established

1870: Jews can be MPs and can become civil servants

1866. Major reform of the Parliament – the four estate system is abolished and a “modern” bicameral Parliament is established

1840-1862. Many new public boards/agencies are established for carrying out large investments in communication infrastructure (National Railway Board 1862, National Board for Telegraphic Communication 1856, National Board for Roads and Canals 1841). This brought in a whole new cadre of civil servants. Technical skills and merits became important.

1855-1860: Major revision of the wage system in the civil service

1860: The right to leave the State Church for any other congregation

1862: New general criminal code which includes a new law on misconduct in office

1862: New laws for cities, county councils and local municipalities greatly increasing decentralization

1878: Abolishment of the “accord system” and introduction of a working pension system for civil servants. The “accord system” seemS to have finally BEEN abolished during 1886.

1868: Parliament decides to start abolishing direct payments for services to individual civil servants. The fee/money should no longer belong to the individual civil servant but be state property.

1869: Parliament decides that taxes had to be paid in money instead of IN goods 5

Thanks to Dr. Maria Cavallin Ajmer for providing me with this information.

In sum, it is fair to state that this period can be characterized as a non-incremental “BIG BANG” change. Not a few, but almost all major political, social and economic institutions were changed during a relatively short period of time. Wherever the individual looked, he or she saw that major change was taking place. A reasonable conclusion is that this would cause the agent to thoroughly reconsider “how to play” and “what to expect”.

It is of course crucial to know if this type of BIG BANG change only occurred in Sweden, or if this is a general phenomena among the low-corrupt countries. It seems to be the case that one can interpret the successful anti-corruption strategies in Hong Kong and Singapore as similar to this type of non-incremental change (see Uslaner forthcoming). It also seems possible to interpret the change during the progressive era in the United States in these terms. Certainly, a theory like this needs to be confronted with much more detailed historical research. My guess is that institutional changes of this magnitude can only come about if a country faces a great external threat or if it hit by major economic and/or technological change.

Anti – corruption: The Big Bang Theory

Social scientists use two very different ideas about how to understand human agency. Either agents are more or less “doped” by their culture and history and are thus structurally and/or historically determined to act the way they do, or they are utility-maximizing rational agents using their computational skills to make constant cost-benefit analyses of various incentive systems that they encounter. Since we lack good theories on how culture or incentive-inducing institutions change, these ideas of human agency do not give much room for explaining change. Both are, in fact, very unlikely descriptions of how humans make up their minds about “how to play” or “what they can expect”. A more realistic picture of how we can understand human agency comes from H. Peyton-Young’s work in evolutionary game theory. This sort of theory is interesting for anti-corruption research because instead of focusing on “one-shot” interactions, this type of game theory thinks of development as an (endless) set of consecutive forms of big and small n strategic interactions. With this comes a more realistic notion of human agency that I think is very useful. 6

The first is that "agents are not perfectly rational and fully informed about the world in which they live". Instead "they base their decisions on fragmentary information" and "they have incomplete models of the process they are engaged in". However, Peyton Young is certainly not a cultural (post-modernist) theorist; people are not "completely irrational". Instead: "they adjust their behaviour based on what they think other agents are going to do, and these expectations are generated endogenously by information about what other agents have done in the past" (Young 1998, p. 6). In other words, if we want to understand why people would change their behaviour away from corruption, understanding their preferences, norms, and attitudes is of little help. In a thoroughly corrupt setting, even people that think corruption is morally wrong are likely to take part because they see no point in doing otherwise (della Porta and Vannucci 1999). What is important is their beliefs about the other agents' beliefs, or in other words, their beliefs about how the world works. From a policy perspective, this has some important implications. First, this theory does not point out any single set of institutions as most important for change. The courts are not more and not less important than the civil service, the integrity of the politically elected, or civil society or the mass media. The reason is that if you only reform one set of institutions, corruption is likely to creep over to the other. rather, agents in, for instance, a powerful corrupt network must realize that everywhere they turn, "there is a new game in town". Secondly, everything (almost) has to change and this should be conducted as simultaneously as possible. One can think of this as the need to reach a Schelling-type "tipping point" in order to reach a new equilibrium (Schelling 1996). If the anti-corruption policy measures are limited to the introduction of small measures ("entry points"), they will not convince enough agents that continuing their corrupt practices are no longer a viable option and the likely result is that the system will not reach the crucial "tipping point" but slide back into its old practices of systemic corruption. Simply put, do not do anything small. This theory thus stands in sharp contrast to the idea launched by for example Michael Johnston that change should be "gradually" and that "building a sound framework of social, political, and state institutions is the work of generations" (Johnston 2005, p. 208 and p. 198). Another example of this gradualist way of thinking about anti-corruption reform can be taken from the "Anti-corruption toolkit" report issued by the UN Office on Drugs and Crime Prevention that states: "Reforming institutional cultures also requires time as those accustomed to the old values come to understand and adopt new ones." (p. 85). If the Big Bang theory could be backed by empirical research, the policy advice would be: If you only have a few resources, it is better to save them until you can muster a BIG BANG change. Otherwise, you may then end up in a worse situation because the anti-corruption forces that you have put in place are (or are seen as) supporting corruption (Offe 2004).

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VII

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Corruption

An Introduction to the Incentives and Solutions

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Introduction

This essay will describe and discuss different **theories** on the phenomenon that is **corruption**. The World Bank declares **corruption** as one of the biggest obstacles to development in third world countries. Most commonly, three degrees of **corruption** are discussed. Swedish International Development Cooperation (Sida) describes them as follows: "...petty **corruption** (bureaucratic **corruption**), grand **corruption** (political **corruption**) and state capture (**corruption** which affects the entire state apparatus)."¹

¹
The fight against **corruption** has rather recently been brought up on the agenda; it was for a long time looked upon as an internal affair. Only countries that had obtained a rather high development status were considered as targets for anti-**corruption** measures. Nowadays, though, it is becoming more and more obvious that **corruption** is devastating for any country. In a working paper on **corruption** written by Inge Amundsen, lecturer at the Chr. Michelsen Institute for development studies and human rights, I found a passage in the introduction that describes where **corruption** exists. "**Corruption** is found almost everywhere, but it is stubbornly entrenched in the poor countries of Sub-Saharan Africa, it is widespread in Latin America, it is deep-rooted in many of the newly industrialized countries, and it is reaching alarming proportions in several of the post-communist countries."²

²
The Following quote by Mahatma Gandhi is well worth bearing in mind when looking at **corruption** throughout the world. "**Corruption** and hypocrisy ought not to be inevitable products of democracy, as they undoubtedly are today." - Mahatma Gandhi³

Aim and Research Questions

¹
Sida, http://sida.se/sida/jsp/sida.jsp?d=439&a=1443&language=en_US, (April 5 th 2007)

²
I. Amundsen, Political **Corruption**: An Introduction to the Issues, (Chr. Michelsen Institute, 1999), 1

³
Thinkexist.com, *Mahatma Gandhi Quotes*, http://thinkexist.com/quotation/corruption_and_hypocrisy_ought_not_to_be/195346.html (Feb. 12 th 2007)

The aim of this essay is to explain the basic principles of **corruption**, to present different **theories** on **corruption** as well as to try to identify certain incentives and solutions. What are the incentives to **corruption**? How is **corruption** being countered?

Definition

Before one can start handling the subject that is **corruption** one has to choose what kind of **corruption** to look at. In this essay I have chosen to exclude all forms of **corruption** within the private sector, e.g. economic crime and tax evasion. This distinction is necessary when dealing with such an extensive matter; it is also the generally accepted one. Consequently the **corruption** I have chosen to look at is within the public sector. According to Encyclopaedia Britannica the modern definition of the word **corruption** is: "*Improper and usually unlawful conduct intended to secure a benefit for oneself or another*"⁴

The term **corruption**, however, has not always had the same meaning as it has today. In the Middle Ages for example, there was no fundamental difference between the king's assets and the ones of the nation.⁵ Therefore it was irrelevant to talk about **corruption** when the king used the nation's money for private interests. Furthermore, the political systems throughout Europe during the same period of time included

gifts and tributes between local sovereigns; this was a way of guaranteeing one's military protection. Also, one has to keep in mind that the situation we have in the western world today has an enormous impact on our views on **corruption**; this is usually referred to as a "western bias". Thus, one should take into account that the views and definitions are dissimilar depending on what country/region one talks about.

Method

The method used in this essay has mainly been the study of different essays, working papers, articles, publications etc. concerning **corruption**. It also included a study trip to Zambia where I met with local politicians and other people with opinions in the matter. It is worth mentioning that I was rather influenced by the situation and the encounters during my visit to Zambia.

⁴ Britannica, **corruption** - *Concise Encyclopedia* (2007) <http://www.britannica.com/ebc/article-9361666> (Feb. 12th 2007)

⁵ B. Karlström, *Korruptionens Anatomi* (Elanders Novum, 2003), 11

Three Different Theories on Corruption

In this essay I have based my analysis roughly on the three **theories** that Mr. Bo Karlström describes in his Working Paper "Korruptionens Anatomi" (=The Anatomy of **Corruption**). Mr. Karlström is an economist at the University of Stockholm, Sweden and he has among other things worked as the head of operation in Western Africa for IMF (International Monetary Fund), as the economic advisor for the Minister of Finance in Kenya and as one of the heads of Sida (Swedish International Development Cooperation). According to Mr. Karlström there are three different **theories** frequently used when describing **corruption**, I have chosen to translate them as follows: the historic, the individualistic and the macroeconomic.

The Historic Theory

The fundamental ideas of the historic theory are that certain degrees of **corruption** are accepted during the different stages of a nation's way towards democracy. A nation's process of developing into a modern society with democratic rights is quite slow. With time however, as the nation matures, the government is more or less forced to separate its assets from the king's and audit their work. According to this theory, the **corruption** in a developing country fades away as time goes by; the industrial revolution for example, strengthens this theory. This process, that took place in Western Europe over one hundred years ago, is now taking place in most African countries. However, there are great differences between the industrial revolution that took place in Europe and the one that is taking place in Africa today. The medieval sovereigns of Europe did not have the same responsibilities as the modern leaders of Africa have today. The governments of today have to provide some kind of healthcare for its citizens, education, employment etc. Governments of old did not have to worry about failing to provide these necessities. There was no one auditing the work of the sovereigns in the Feudal systems of the middle Ages; in Africa the leaders have their own people and people from various NGOs (Non-Governmental Organizations) and foreign governments supervising them. This, however, does not mean that the politicians that are involved in **corruption** have to leave their posts right away if they are accountable of corrupt behaviour. The legislation concerning **corruption** is a lot tougher than the one Europe had five hundred years ago, in fact, none existed. But, of course, it takes more than legislation to eliminate **corruption**; there has to be a tradition of freedom of speech and an open and free press, opposition parties that question the party with a majority to mention a few factors.

The Individualistic Theory

The individualistic theory refers to transactions between two or more parts, e.g. contracts between companies and governments. When a company closes a deal with a representative from the government it is quite common for the representative to get an additional bonus for giving the company the contract. This bonus most commonly consists of money that is secretly paid on the side. Another form of **corruption** is

when a person hides earnings in his income-tax return and is later revealed by the civil servant responsible for auditing his income-tax return. The civil servant offers two options; either he investigates it further or he disregards it. The first option means that he will be held responsible for his actions, i.e. be fined or possibly even be sent to prison. The latter, on the other hand, lets him keep the money in exchange for a small fee to the civil servant who “helps him”. Of course, he chooses the second option to save himself from losing money, but by doing so the government loses the opportunity of collecting his tax. This may not seem like a major problem but the problem just described is a very common phenomenon in many developing countries and considerable amounts of money fails to reach the government. It is also common with so called “backwashes”, which is when the civil servant demands more and more money each time and eventually gets all the profit himself.

The Macroeconomic Theory

The macroeconomic theory explains **corruption** with economic policies that generally lead to **corruption**. This is very common in Africa. Many undeveloped countries, especially in Africa, have fixed the purchase prices of e.g. agricultural products so that they are abnormally low. This is because the governments want to keep the prices of food low, especially in the cities where political opposition may occur.

6

The result of this is naturally that the farmers do not get enough money for their merchandise and therefore the amount of produced agricultural products is reduced or smuggled. This kind of economic policy is therefore directly linked to

corruption.

Another prevalent form of economic policy that gives rise to **corruption** is when governments control the exchange rates of foreign currencies and keep them at unnaturally low rates compared to the indigenous currency. By doing this, the import prices are kept artificially low and it is usually the government or major companies owned by rich and influential people that handle the importation. Naturally it means that the export prices are kept low as well but the exporting companies are few, unorganized and usually not controlled by the government.

7

Therefore they have no say in the matter. This policy results in a queue for currency among the importing companies where the ones with connections and cash get first in line. Again, an economic policy directly linked to **corruption**.

In Brief

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B. Karlström, op. cit., 17

7

B. Karlström, op. cit., 16

These three **theories** are not the only **theories** on **corruption** but they give three different aspects of the phenomenon and they help us understand how and why **corruption** occurs. The principal distinction between the historic theory and the other two is that it does not let e.g. politicians do something to prevent **corruption**. Since **corruption** is viewed as a natural part in a nation’s development one has to wait until the nation is “mature enough” to accept changes before any major reforms can be made. Whereas the other two let politicians, as well as others, play a bigger role, i.e. if they want to, of course, in a nation’s fight against **corruption**. These three **theories** describe some of the common incentives to **corruption** but there is one another vital aspect well worth considering when discussing **corruption**. The salaries for civil servants and other government employees are extremely low in most developing countries. People employed by the government in most African countries have insufficient salaries that can not support them. The salaries are mostly far too low to cover the costs of living even for a single individual. Given the fact that most Africans live together in large families, one can easily see that the extra income on the side, that corrupt acts bring, is a most welcome addition to the family budget. This is also the great paradox of **corruption** since it is, in a sense, one of the positive sides of it. Even though poor people are hit the hardest by **corruption**, it provides money to poor people who would not be able to survive without its existence. As a result of globalization and democratic development, it has become easier to discover

corrupt acts in society. Globalization has definitely lead to increased transparency, which is a relatively new aspect that has grown immensely over the last decade, especially with the arrival of the Internet. Up until recently, there was little or no transparency in most countries. It was easier to hide and censor things when there was no one monitoring the government. Nowadays, there are people from the entire world who come together and discuss governance, peace, stability etc. over the Internet. The Internet has become an effective weapon in the fight against **corruption**. Nowadays many aid-organizations demand some kind of **corruption** reduction plan from the government they work with. This is of course to make the subsidies more effective and minimize wastage. In other words: to reduce **corruption**.

Comparison: Sweden – Zambia

There are vast differences between Sweden and Zambia in all sorts of ways. In terms of **corruption** it appears as though Sweden does not have any compared to Zambia. This, however, is not the actual case since **corruption** occurs in every nation of the world. Although Sweden has a very low **corruption** rate, and almost no **corruption** within the public sector, compared to Zambia, Sweden is ranked as the 6th least corrupted country in the world, whereas Zambia is ranked 107th

⁸
The ranking used is Transparency International's (TI) Corruption Perceptions Index (CPI). The total amount of countries ranked by TI was 156 during the year 2005.

⁸
Transparency International,

Corruption Perceptions Index 2005, (Transparency International Secretariat, 2005)

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There are of course many reasons to why Sweden is less corrupt than Zambia. To begin with, Sweden is a more developed country, which means that according to the historic theory the nation has reached a certain degree of development where **corruption** is not accepted by the society, where there is tough legislation on **corruption** and where people who commit corrupt acts are punished by e.g. losing their jobs. Furthermore, Sweden has a long tradition of freedom of speech; there is, and has been for a very long time, an open and free press that discusses questions and criticizes the government and its policies - there is transparency. But, not to forget, Sweden is by tradition a social democratic society and one of the main policies for the last century has been to reduce the gaps between the rich and the poor. This struggle for economic equality has lead to higher salaries among the poor. In Sweden the tax rates are high, among the highest in the world; this allows the Swedish government to spend a lot of money on e.g. welfare. It is clear that an equal society has a dampening effect on **corruption**.

In Zambia, on the other hand, there is officially freedom of speech but one has to be watchful of what one says. As an example, there was a crackdown on *The Post*, the biggest independent newspaper in Zambia, in 1999 after an article on the insufficient Zambian army compared to the threat from Angola.

⁹

This shows that there is still a long way to go until the society is completely free. In a report on human rights practices in Zambia made by the United States Ministry of Foreign Affairs one reads:

“The law provides for freedom of speech and of the press; however, the government at times restricted these rights in practice. The law includes provisions that may be interpreted broadly to restrict these freedoms. Journalists in the government-owned media generally practiced self-censorship; the private print media routinely criticized the government.”

¹⁰

And in an annual report on the year 2004 published by Reporters Sans Frontières one reads the following about freedom of press in Sweden :

“Sweden very liberal laws include the right of journalists to information, which is written into the national constitution, and the protection of journalistic sources, which is recognised as an absolute right. The authorities are not allowed to formally investigate the origin of published material and journalists are legally obliged to respect a source's wish for anonymity.”

¹¹

And in a report on the year 2006 by Reporters sans Frontières one reads the following about Zambia:

9

Amnesty International (AI), *Zambia Press Freedom Under Siege*, <http://web.amnesty.org/library/Index/ENGAFR630031999?open&of=ENG-ZMB>, (April 3 rd 2007)

10

US Ministry of Foreign Affairs, *Country Reports on Human Rights Practices 2005 – Zambia*, (April 3 rd 2007)

11

Reporters Sans Frontières, *Freedom of the Press Worldwide in 2004*, http://www.rsf.org/article.php3?id_article=10165, (April 5 th 2007)

“As so often in Africa, the Zambian press has been an easy scapegoat whenever the political climate deteriorates. In Zambia, where press offences come under criminal law, government partisans can use unfair laws to throw any journalist in prison at whim. In consequence, criticising the head of state is a high risk exercise for editorialists.”

12

Swedish International Development Cooperation

Sida is a governmental agency that operates to reduce poverty throughout the world. The main focus is to help and create opportunities for impoverished people to improve their own situations. Sida works with over 120 nations throughout the world and carries out about 5 500 operations per year.

13

A little less than one percent of the entire Swedish GDP is meant for aid and development projects. Sida is responsible for about 60% of this amount, approximately SEK 15 billion. 14 Sida does not have people working on location in all of their countries of operation; in fact they mostly cooperate with international and local organizations that get funding from Sida. In recent years Sweden has begun focusing more and more on the fight against **corruption** and Sida contributes to the fight in its countries of operation by: “participating in international efforts to develop methods, strategies and tactics supporting research supporting organizations working to combat corruption countering **corruption** in individual countries educating colleagues to enable them to detect early tendencies towards **corruption** and act appropriately analyzing all action taken part in this respect, and having it professionally audited”¹⁵ Sida is focusing more and more on budget support and help to develop and improve transparency and auditing within the public sector, as opposed to funding projects etc. which used to be the main focus.

Transparency International

¹²

Reporters sans Frontières, *Freedom of the Press Worldwide in 2006*, http://www.rsf.org/article.php3?id_article=17406, (April 5 th 2007)

¹³

SIDA, *Sidas uppdrag*, <http://sida.se/sida/jsp/sida.jsp?d=107>, (April 3 rd 2007), 1

¹⁴

SIDA, *SIDA 's budget and annual report*, http://sida.se/sida/jsp/sida.jsp?d=131&language=en_US, (April 4 th 2007), 1

¹⁵

SIDA, *Fighting **corruption** – a prioritated issue*, http://sida.se/shared/jsp/download.jsp?f=SIDA31079en_corruption.pdf&a=26079, (Feb. 10 th 2007), 2

TI is an international NGO based in Berlin, Germany working against **corruption**, both on a local and on a global level. The organization is divided into about 90 local chapters around the world.¹⁶ These chapters

bring together the media, politicians and general public as well as people from the business world and promote transparency. TI works to raise awareness of and spread knowledge about the problem itself as well as the consequences of it. By trying to prevent multinational companies from paying bribes in order to get contracts in undeveloped countries they struggle to reduce **corruption** and increase transparency throughout the world. TI also works with other organizations that fight **corruption** and they offer expertise, tools and funding. Each year, TI gives out a report on **corruption** called “Transparency International **Corruption** Perceptions Index” (CPI) which is based on extensive surveys in each country. The CPI shows the level of **corruption** in most countries of the world.

Result

The incentives to **corruption** are almost always linked to money. People who commit acts of **corruption** do so in order to gain a personal profit. The methods used vary, but the motive is always the same – to gain personal profit. The most common reason is to get money but there are of course other profits to be made too, e.g. political power, trade licenses, contracts etc. There is also a clear connection between poor and undeveloped countries and **corruption** rates. This has to do with undeveloped democratic structures and political oppression. In countries where there is a tradition of democracy and a free press there is transparency, there are auditing services that monitor the government and there are opposition parties that question the government’s work and ambitions. Since there is transparency all the incomes and expenses are official documents which make it impossible to hide or censor any additional money that has gone somewhere else than intended. It is also observable that low salaries are directly linked to **corruption**, which leads to countries with low salaries ending up with even more **corruption**. It is definitely a vicious cycle; if there is **corruption** it will ultimately hit the poor people the hardest and by making the poor even poorer, the risk that they will commit acts of **corruption** increases drastically. There are many ways of countering **corruption**. NGO: s, e.g. TI, works to spread knowledge about **corruption** and its devastating consequences. They also fund different projects to reduce **corruption** and they struggle to increase transparency throughout the world. There are also governmental subsidies to support the democratization process in undeveloped nations. Some subsidies are meant for the education of journalists, lawyers, auditors etc. This is of course an attempt to increase transparency and democracy.

Discussion

¹⁶
TI, *About Transparency International*, http://transparency.org/layout/set/print/about_us (April 4th 2007)

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As mentioned, there is a clear connection between poverty and **corruption**. This clearly shows that it is poverty that needs to be countered and the best way to do that is to help countries with their budgets and finances and educate people locally so that they can administrate the governments using the proper methods. This may seem like an extremely western way of looking at it; they have to do it the *proper way*. However, I stand firm at that statement because, after all, it is we in the industrialized parts of the world, especially Europe, who have forced them into to operating their nations in a certain way – our way. When the first colonialists came, they introduced a new, alien form of governing. When we later left, in the middle of the 20th century, we left them to handle these foreign administrations themselves, but there were no people educated in how to run a nation using the “western form of government”. On this basis, I think that it is our responsibility to contribute financially and educationally to help develop nations. This does not mean that colonization is a way to reach democracy; there are definitely more ways than ours to develop and govern countries successfully. A great advantage of globalization is a more widespread democracy and transparency, and those tools are indispensable for the sustainable development throughout the world. Transparency is the only way to get rid of **corruption** and to secure a stable democracy.

Evaluation of sources

The sources that I used for this essay were among others Sida, both material from the homepage and published booklets and essays. I consider this a reliable source since it is a governmental agency with years of experience and knowledge about the topic. Amnesty International is an activist organization and one

should keep that in mind when reading their articles etc. They are in some cases remarkably biased. Overall, I have used relatively newly published documents which is necessary, given the fact that **corruption** evolves all the time like everything else. Another interesting aspect of my choice of literature is that, even though I have read a lot about **corruption**, it is quite clear after studying my sources that most of the material I have used comes from Western experts etc. This only contributes to the so called “Western bias”, which is that we in the developed countries of the world have our own view on **corruption** due to our own situation. Our way of leading our lives and thinking in terms of our own view on **corruption** makes us biased. Furthermore, it is interesting to see how all the authors of the publications are male. This is of course still the situation in general; not many women have high international positions to put down in their Curriculum Vitae and the women who are doctors etc. are still few compared to the men – this adds a male perspective to the questions and results. So the question is naturally: How impartial are these essays? The answer is that there are no impartial essays and the use of facts can always be biased. However, when considering the experience of the authors of the different essays and working papers, I find little reason to doubt their accuracy concerning facts. Nevertheless there is, as mentioned earlier, a “western bias” in our way of thinking and looking at **corruption**.

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Alexander Jäättmäa Kungsholmens Gymnasium

VIII

CORRUPTION AND DEVELOPMENT¹

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Spring 2001

This four-session course will look at **corruption**, most frequently defined as the abuse of public office for private gains, and its role in development. The first session will be devoted to **theories** that explain the effects of **corruption** in development, ranging from benign to detrimental. The next two sessions will examine the problem of **corruption** in developing societies, focusing on a rule of law which has been undermined by rapid political and economic transitions or social instability, a lack of accountability and transparency, and weak institutions of restraint. The final session will address strategies to contain and control **corruption** at the national and international levels, including the work of the United Nations System.

Required Texts

Core Readings:

Klitgaard, Robert. *Controlling Corruption*, Berkeley, CA.: University of California Press, 1988.

Recommended Readings:

Heidenheimer, Arnold J. et al. *Political Corruption: A Handbook*. New Brunswick, NJ.: Transaction Books, 1989.

Rose-Ackerman, Susan. *Corruption and Government: Causes, Consequences, and Reforms*. N.Y.: Cambridge University Press, 1999.

Course Requirements

Students will be required to write a short paper of about 10 pages (double-spaced), either individually or with a partner, on the problems of **corruption** within a chosen developing country or region and propose national or international policy options, based on a personal analysis.

SCHEDULE

Session 1: **Theories** about **Corruption** and Development

This session will consider definitions of **corruption**, the various types of **corruption** identified in the literature (political, administrative, financial, etc.), and specific activities associated with **corruption**. It will review some common **theories** about the impact of **corruption** on development. On the one hand, **corruption** can be seen as introducing market-type mechanisms into monopolistic situations, as furthering political integration through political patronage, and as an efficient means of navigating bureaucracies overburdened by rules. On the other, **corruption** itself has efficiency costs due to waste and misallocation of resources, favours the rich at the expense of the poor, misplaces incentives to maximize rent-seeking behaviour, and ultimately leads to overall political and social alienation and instability. Further, there is an emerging consensus that **corruption** thrives in situations where there is monopoly and discretion without accountability.

Readings

Klitgaard, Robert. Chapter 2: Objectives, in: *Controlling Corruption*, 1988.

Nye, J.S. **Corruption** and Political Development: A Cost-Benefit Analysis, in: A. J. Heidenheimer, et al., *Political Corruption: A Handbook*, 1967.

Session 2: The Impact of **Corruption** on the Rule of Law

This session will examine how **corruption** undermines the rule of law. In states weakened by rapid political and economic transitions or experiencing instability due to conflict or social unrest, **corruption** can replace state authority, resulting in "rule evasion" and lawlessness. Under such circumstances, **corruption** can easily become linked to organized crime, leading to a disintegration of the state itself in extreme cases. In overbearing states, the state itself can become an instrument of oppression, limiting fair access to public goods and services. Without a separation of powers to restrain the potential abuse of state power, the executive power risks becoming an instrument for furthering private interests rather than the public interest. In either scenario, in the absence of protected property rights, enforced contractual obligations, and fair regulations, **corruption** deters investment and - ultimately - economic growth. Moreover, **corruption** violates public trust, eroding confidence in public institutions and corroding social capital.

Readings

Rutland, Peter and Natasha Kogan. **Corruption** and the Russian Transition, A paper prepared for the annual convention of the American Political Science Association, Boston MA, 1998.

The World Bank, Ch. 6: Restraining Arbitrary State Action and **Corruption**, 1997; *World Development Report 1997: The State in a Changing World*. P. 99 – 109.

Session 3: Accountability and Transparency in Financial Management

In this session, the link between a lack of accountability and transparency and **corruption** will be discussed. The concepts of accountability (the need to justify the use of resources for desired results) and transparency (making information pertaining to decision-making and operations publicly available) will be explored in the context of developing countries. Their implications for public financial management - including regulating the banking sector, privatizations, contracting and concession granting, etc. - will be introduced. Further, in view of globalization and international competition, the move to establish "a level playing field" in north/south trade through criminalizing bribery of foreign public officials will be examined.

Readings

Fons, Jerome S. *Improving Transparency in Asian Banking Systems*, A paper presented on behalf of Moody's Investors Service at a conference sponsored by the Federal Reserve Bank of Chicago and the International Monetary Fund, entitled 'Asia: An Analysis of Financial Crisis', 1998.

Rose-Ackerman, Susan. **Corruption** and the Global Economy, in: **Corruption and Integrity Improvement Initiatives in Developing Countries**. N.Y.: United Nations Development Programme, 1998.

Session 4: Strategies to Combat Corruption

This final session will survey policy prescriptions for fighting **corruption** at the national and international levels. At the national level, policy options aimed at strengthening the rule of law through fostering "good governance" will be discussed. The discussion will include the role of specific anti-**corruption** legislation and its enforcement, independent anti-**corruption** agencies, and the involvement of civil society in overseeing government activities. Policy options aimed at increasing accountability and transparency in public financial management will look at the role of supreme audit institutions, financial regulations in revenue collection and procurement, and general measures to promote professionalism and integrity among public officials. At the international level, the role of the UN and its sister agencies in setting global norms and standards in international trade

as well as strengthening governance and public administration through technical cooperation will be analyzed.

Readings

Bertucci, Guido and Elia Armstronga. United Nations' Involvement in Promoting Government Ethics, in: El-Ayouty, Yassin et al. (eds.) *Government Ethics: Toward Global Guidelines*. Westport, CT.: Praeger Publishers, 2000.

United Nations, A/RES/51/59, Action Against **Corruption**, 1997.

United Nations, A/RES/51/191, United Nations Declaration Against **Corruption** and Bribery in International Commercial Transactions, 1997.

United Nations, A/RES/52/87, International Cooperation Against **Corruption** and Bribery in International Commercial Transactions, 1998.

United Nations, A/RES/50/225, Public Administration and Development, 1996.

¹ <http://www.columbia.edu/cu/sipa/COURSES/2000-2001/u6460s.html>

VIII

Berikut ini adalah versi HTML dari berkas

<http://www.unodc.org/pdf/crime/gpacpublications/cicp12.pdf>.

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GLOBAL PROGRAMME AGAINST **Corruption**

RESEARCH AND SCIENTIFIC SERIES

An Economic and Jurimetric Analysis of

Official **Corruption in the Courts**

Vienna, May 2001

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Centre for International Crime Prevention

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This paper has not been officially edited

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An Economic and Jurimetric Analysis of Official **Corruption** in the

Courts: a Governance-based Approach

* /
* - /

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Abstract

The scientific approach to the study of public sector **corruption** needs empirically verifiable methodologies in order to develop reliable anti-**corruption** prescriptions. This paper presents empirical results while proposing the use of six objective explanatory variables to capture the effects of corrupt practices in the courts. The article also proposes an empirical model, which incorporates substantive-procedural, market-related, and organizational explanatory variables tested within the judicial sectors of Argentina, Ecuador, and Venezuela.

*An Economic and Jurimetric Analysis of Official **Corruption** in the Courts*

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I.

INTRODUCTION

For a long time, economists have focused their attention on the effects that well-functioning legal and judicial systems have on economic efficiency and development. Adam Smith states in his *Lectures on Jurisprudence* that a factor that "greatly retarded commerce was the imperfection of the law and the uncertainty in its application...." (Smith, p. 528). Judicial **corruption** hampers economic development by undermining the stability and predictability in the interpretation and enforcement of the law (Buscaglia, 1997 and 1999). Rose-Ackerman (1997, p. 5) states that "widespread **corruption** is a symptom that the state is functioning poorly". In fact, the entrenched characteristic of official corrupt practices is rooted in poor governance practices within a state agency coupled by the lack of alternative channels to secure a service through either the private or public sector (Buscaglia, 1997, p. 277). Many scholars have provided path-breaking contributions to the economic analysis of **corruption**. Studies focusing on describing corrupt practices and on analyzing the impact of **corruption** on economic development are abundant. Low compensation and weak monitoring systems are traditionally considered to be the main causes of **corruption** (Becker and Stigler, 1974; and Klitgaard, 1991). In Becker-Stigler (1974) and Klitgaard (1991), official **corruption** through bribery reduces expected punishment and thus deterrence. In this context, increasing the salaries of public enforcers and/or paying private enforcement agencies for performance will

improve the quality of enforcement. Rose-Ackerman (1978), Macrae (1982), Shleifer and Vishny (1993), Maoro (1995), and Buscaglia et al (2000) provide alternative approaches to the institutional analysis of **corruption**. In these studies, **corruption** is considered to be a behavioral phenomenon occurring between the state and the market domains, or in the case of Buscaglia et al (2000), **corruption** is the symptom of dysfunctional governance within the public sector. In all cases, economic models assume that people and firms respond to incentives by taking into account the probability of apprehension and conviction, and the severity of punishment (Becker, 1993, pp. 234-237). Of course, in all these studies, ethical attitudes matter and the "temptation threshold" is subject to the individual's moral foundation. However, all economic models of **corruption** stress that, to a lesser or greater degree, people respond to incentives. In all these **theories**, changes in corrupt activities occur if the marginal returns from crime exceed the marginal returns from legal occupation by more than the expected value of the penalty. Other work has pointed at how the existence of official **corruption** distorts the market and implicit price mechanisms by introducing uncertainty in the marketplace (Andvig 1991, p. 59) and the most recent wave of scholarship brings market failures into the analysis of **corruption** (Acemoglu and Verdier, 2000). In any case, official **corruption** is an essential input for the growth of organized criminal activities with the capacity to pose a significant international security threat to social and political stability through the illicit traffic of, among others, narcotics, nuclear, chemical, and biological materials, alien smuggling, and international money laundering operations (Leiken, 1996, p. 56; Marselli and Vannini, 1997; and Langseth, 2000). The literature mentioned above has been providing a good comprehensive overview of the consequences of entrenched **corruption**. But an economic theory of **corruption** must contain more than just an account of the allocative consequences and of the environment surrounding corrupt practices. Therefore, it is necessary to go beyond symptomatic and consequential analyses of official **corruption** and focus much more on the search for empirically tested causes of official **corruption**. This piece advances a framework of analysis within which the causes of court-related **corruption** can be first identified in order to later develop public policy recommendations for an anticorruption program. An economic analysis of corrupt activities within the judicial sector in developing civil law systems is proposed below. A rigorous public policy approach to the study of **corruption** must be empirically verifiable if we are to develop reliable public policy prescriptions in the fight against official **corruption**. At the same time, an economic theory of **corruption** must recognize that court-related **corruption** is a significant source of institutional inertia in recent judicial reforms in developing countries. An account of the private costs and benefits of state reforms as perceived by court officials must also be considered (Buscaglia 1997; and Buscaglia and Dakolias, 1999).

II.

EMPIRICAL FACTS ABOUT JUDICIAL **CORRUPTION** IN DEVELOPING COUNTRIES

Judicial **corruption** is defined here as the use of public authority for the private benefit of court personnel when this use undermines the rules and procedures to be applied in the provision of court services. Judicial **corruption** in most developing countries takes many forms. We can classify them into two types. Within the following two **corruption** types we can include many well-known corrupt practices: *Administrative corruption* occurs when court administrative employees violate formal or informal administrative procedures for their private benefit. Examples of administrative **corruption** include cases where court users pay bribes to administrative employees in order to alter the legally-determined treatment of files and discovery material, or cases where court users pay court employees to accelerate or delay a case by illegally altering the order in which the case is to be attended by the judge, or even cases where court employees commit fraud and embezzle public property or private property in court custody. These cases include procedural and administrative irregularities. The second type of abusive practices involves cases of *operational corruption* that are usually part of grand **corruption** schemes where political and/or considerable economic interests are at stake. This second type of **corruption** usually involves politically-motivated court rulings and/or undue changes of venue where judges stand to gain economically and career-wise as a result of their corrupt act. These cases involve substantive irregularities affecting judicial decision-making. It is interesting to note here that all countries, where judicial **corruption** is perceived as a public policy priority, experience a mix of both types of **corruption** (Langseth and Stolpe, 2001). That is, usually the existence of administrative court **corruption** fosters the growth of operational **corruption** and vice versa.

Due to their secretive nature, corrupt practices cannot be directly measured through objective

indicators. Yet, it is always possible to assess the perceptions of all of those individuals interacting within the court system (i.e. judges, court personnel, litigators, and court users). The existence of the aforementioned two types of **corruption** can be measured through surveys of judges, court employees, litigants' lawyers, and businesses with a record of supplying and demanding court services. If these three groups of interviewees were asked to describe irregularities and one could find significant correlations among the perceptual patterns of the three groups, then this would represent a significant step in the measurement of a policy variable. The survey questions must then be designed in such a way as to measure the perceived relative frequency of having encountered each type of corrupt behavior within the operational and administrative spheres.

This study includes an account of relative frequencies of administrative and operational **corruption** that includes instances of fraud, embezzlement, court-related political clientelism, politically or financially-motivated changes in rulings, politically or financially-motivated changes of venue, speed money, and extortion. The questions in all surveys intend to capture the frequency of occurrence of each of these corrupt practices within a sample of 450 commercial cases in 27 pilot courts. The data analysis below show the results of conducting annual surveys during the period 1991-99 focusing on the occurrence of court-related **corruption** practices in Argentina, Ecuador, and Venezuela. The courts examined were part of pilot programs containing well known and common policy prescriptions implemented in the three countries between 1993 and 1995. The annual surveys were first conducted in 1991 just before and after the courts examined in this study were subject to key reforms to be explained below. In Argentina, 10 judges in 10 pilot courts were surveyed between 1991 and 1999. These courts were later subject to administrative and organizational reforms (to be explained below) in 1995. In addition to these judges, 250 lawyers and 400 firms were also interviewed in order to assess the frequencies of corrupt practices. These firms and their lawyers were all litigating before these same courts during the period 1991-99.

In Ecuador, 7 judges in 7 pilot courts, later subject to administrative and organizational reforms, were surveyed jointly with 100 lawyers and 200 firms all bringing cases before these same courts.

In Venezuela, 10 judges in 10 pilot courts, also later subject to administrative and organizational reforms, were surveyed jointly with 160 lawyers and 300 firms all bringing cases before these same courts.

The samples for each of the three countries are stratified by the size of the litigating firms (small-medium, and large size) conveying a 95 percent confidence level for our estimates. Each interviewee was asked to provide a first hand account of the relative frequency of administrative **corruption** (e.g. "speed money", fraud, and embezzlement) and operational **corruption** (that include buying/selling of court rulings, court-related political clientelism, politically-motivated changes in rulings, politically-motivated changes of venue, and extortion). The following tables show the proportions of the total sample of commercial cases coming before the courts (200 in Argentina, 150 in Venezuela, and 100 in Ecuador) where each of the types of corrupt practices specified above occurred according to the responses given by judges, litigant firms, and their lawyers). The numbers in parenthesis show Spearman correlation coefficients. The first coefficient corresponds to the correlation between judges' and lawyers' revealed frequencies of occurrence of corrupt acts while the second coefficient corresponds to the correlation between judges' and firms' revealed frequencies.

TABLE 1**ARGENTINA (%)**

(Percentage of the sampled commercial cases where there was first hand knowledge of the following corrupt practices)

Operational **Corruption Administrative **Corruption****
Abuse

Discretion

(0.72; 0.86)

(0.93; 0.63)

(0.71; 0.56)

Judges

13

23

72

Lawyers

21

37

Firms

3

26

ECUADOR (%)

(Percentage of the sampled commercial cases where there was first hand knowledge of the following corrupt practices)

Operational Corruption Administrative Corruption**Abuse****Discretion**

(0.79; 0.64))

(0.87; 0.71))

(0.59; 0.61)

Judges

15

24

82

Lawyers

36

51

Firms

29

40

VENEZUELA (%)

(Percentage of the sampled commercial cases where there was first hand knowledge of the following corrupt practices)

Operational Corruption Administrative Corruption**Abuse****Discretio**

(0.81; 0.57)

(0.92; 0.74)

(0.79; 0.58)

Judges

23

40

93

Lawyers

25

61

Firms

19

32

We can see from the charts above that the most frequent occurrences of **corruption** in the three countries appear within the administrative domain. Operational (or substantive) **corruption** (where politically motivated changes in ruling or/and politically motivated changes of venue are the most common practices) follow in all three countries. We obtain high reliability of these perceptions in the three countries, by identifying a very high, positive, and significant correlations among the perceptions revealed by the three groups of respondents

(judges, lawyers, and firms). The Spearman correlations for each country (shown in parenthesis in Table 1), are all significant and positive at a 1 percent level for both types of **corruption**. This shows that the compatible perceptions among the three groups, with different interests at stake, all point at a common pattern of abuse of public authority in its different versions explained above. That is, the frequencies of **corruption** perceived by judges are highly correlated with the same frequencies perceived by litigators and litigant firms. Additionally, the close examination of sampled files in each country also reveal a large proportion of cases where either substantive or procedural abuse of judicial discretion occurred. It's noteworthy that our measures of abuse of judicial discretion represent an objective variable captured by identifying the presence of specific occurrences after a careful examination of the ruling and other case file material. Within the samples of cases described above, 95 percent of the occurrences of abuse of discretion consisted in either judges' violations of procedural guidelines (e.g. procedural times or discovery rules) or judges' rulings founded on repealed legislation or the application of the wrong laws to the case. For example, we find that 72 percent of all case files were subject to abuse of substantive or procedural discretion in Argentina. This same type of abusive judicial practices occurred in 82 and 93 percent of the sampled cases in Ecuador and Venezuela respectively. One can claim that in these kind of institutional environments within which abuse of discretion is the norm, the abuse of public office for private benefit is more likely and more difficult to detect. In fact, if one examines Table 1 above, it is interesting to note that the subjective frequencies of cases where either administrative or operational **corruption** is perceived by judges and lawyers are highly correlated with the objective measures of abuse of judicial discretion measured (e.g. in Argentina, 0.71 and 0.56 correlations between frequencies of perceived **corruption** and abuse of discretion for judges and lawyers respectively). This data summarized in Table 1 will be later used in Part III to compute the annual percentage changes in the relative frequencies of corrupt acts for each pilot court between 1991 (i.e. before the reforms) and 1999 (i.e. after the introduction of key reforms). This indicator will be used as the dependant variable in a jurimetric model presented below where the effects of key policy variables affecting corrupt practices will be identified and explained.

III. OFFICIAL **CORRUPTION** AND ITS MAIN CAUSES: AN EMPIRICAL MODEL

Scholars have already recognized the advantages of going beyond the macroeconomic findings found in Maoro (1995) by stating the urgent need to isolate the structural features that create corrupt incentives (Rose-Ackerman, 1997). For example, in a recent paper, Cooter and Garoupa (2000) correctly state that "a necessary element when approaching deterrence and elimination of **corruption** is the institutional design. The structure of institutions and the decision process are important determinants of the level of **corruption**."

Yet, only general descriptions and analyses within which **corruption** may arise within the court system have been identified in the literature and they are clearly insufficient to develop court-specific anticorruption policy prescriptions. In all past judicial **corruption** studies, a rigorous analysis of the **corruption**-enhancing factors related to the procedural, substantive, organizational, and governance aspects within which courts operate are all left unexplored (Buscaglia, 1999 and 1997). The need to develop an empirically-testable model, within which specific types of corrupt behavior in well-defined situations can be explained, is a necessary condition for the application of the economic analysis of **corruption** to judicial policies in developing countries.

More specifically, organizational structures coupled with procedural and administrative patterns make judiciaries prone to the uncontrollable spread of systemic corrupt practices at every level. For example, courts provide internal organizational incentives given by an unchecked abuse of substantive, procedural, and administrative discretion, that make corrupt practices, as measured above, more likely. An economic model of **corruption** should be able to detect these sources of corrupt incentives.

Our main hypotheses state that court officials' capacity to engage in the corrupt practices

described above will be enhanced by: **(i)** the lack of transparency and limited predictability in the allocation of internal organizational roles to court employees. In this organizational environment, adjudicational roles and administrative functions are subject to unchecked discretion (e.g. judges concentrating a larger number of administrative tasks within their domain without following written procedural or formal guidelines); **(ii)** the added number and complexity of the procedural steps coupled with unchecked procedural discretion and arcane administrative procedures (e.g. judges and court personnel not complying with procedural times as established in the code); **(iii)** the lack of judicial knowledge about the prevailing jurisprudence, doctrines, laws, and regulations due to defective court information systems and antiquated technology coupled with the lack of information technology aimed at enhancing the transparency of court proceedings (e.g. terminals aimed at providing users with online anonymous **corruption** reporting channels); and **(iv)** fewer alternative sources of dispute resolution mechanisms reflected in a low price elasticity of court services.

All else equal, the enhanced capacity of a court official to extract illicit rents will depend on the higher concentration, widespread informality, and unpredictability in the allocation of administrative tasks to court personnel within each court. The concentration and allocation of administrative tasks is captured through an indicator that measures the proportion of all administrative tasks in the procedural life of a case that are randomly performed by administrative personnel without written guidelines and in an unsupervised manner. A high indicator would represent an environment where it's easier for lawyers to pick any court employee in the hope that he would perform an unmonitored task in exchange for an illicit fee with a low probability of being sanctioned.

Buscaglia (1998) has demonstrated the clear relationship between procedural complexity and **corruption**. A recent study on Ecuador's judiciary (Buscaglia and Merino Dirani, 2000) has also proven the link between the systemic presence of abuse of judicial discretion in court rulings (e.g. rulings founded on laws that have been repealed by Congress) and a general perception of **corruption** jointly expressed by three groups: lawyers, judges, and litigants. Therefore, we should also expect here that the enhanced capacity of a court official to extract illicit rents will also depend on the higher degree of abuse of substantive/procedural discretion coupled with the presence of added procedural complexity.

And, finally, a greater availability of mechanisms to resolve disputes through mediation or arbitration reduces the monopolistic nature of state-sponsored court services within commercial subject matters. In this scenario, a higher price elasticity of demand for court services, due to the greater availability of alternative mechanisms to resolve disputes, would reduce the capacity of court personnel to extract illicit rents.

In this context, we will next focus on the jurimetric explanation of the perceived frequencies of corrupt acts by giving account of the administrative, procedural, substantive, and alternative dispute resolution variables explained in the previous paragraphs.

IV. EMPIRICAL ANALYSIS

Starting in 1994, 10 pilot commercial courts in Argentina introduced less complex oral procedures and administrative reforms that included the use of manual-based verifiable administrative procedures among court personnel. In this context, 250 lawyers and 400 firms all bringing cases before these same courts were surveyed three years before and three years after these reforms were implemented. Additionally, an anonymous **corruption** reporting system was installed online so users could send their written complaints simultaneously to Congress and the Supreme Court through terminals located outside the courthouse. In Ecuador, judges and their personnel in 7 pilot commercial courts, were later subject to the

same kind of administrative and procedural reforms, and were also surveyed jointly with 100 lawyers and 200 firms all bringing cases before these same courts. In Venezuela, 10 judges in pilot courts were surveyed jointly with 160 lawyers and 300 firms all bringing cases before the surveyed courts. In both these cases, Ecuador and Venezuela, surveys of judges and attorneys were conducted four years before and three years after the implementation of reforms.

The survey measures the frequency of the types of **corruption** mentioned above in Table 1 according to the separate perception of judges, attorneys, and litigant firms in the most common types of commercial cases: bankruptcy, debt collection, and breach of business contracts.

It is noteworthy that, within each country and during the period under consideration, the sample of courts did not experience significant changes in backlogs and our analysis controls for per capita budgetary allocations. All these courts were under the same judge during the period under consideration: 1990-99. At the same time, the courts sampled here showed no changes in the number and functional structure of their personnel during the period 1990-98 in Argentina, 1990-99 in Ecuador, and the period 1990-98 in Venezuela.

As part of these reforms, most administrative tasks were taken away from each court and allocated to an Administrative Support Office (ASO) shared by the pilot courts in each country. These ASO took away all budget and service-related money transactions from court personnel. At the same time, legal procedures were streamlined and orally-based; external control and disciplinary measures and inspections were for the first time introduced through regional judicial councils.

A jurimetric study of **corruption** within the judiciary can provide a good ground for testing the five hypotheses stated above. The period under consideration has been divided into two sub-periods separated by the enactment of a landmark administrative and procedural pilot reforms of the judiciaries in 1994-95 in Argentina and Venezuela and in 1992-94 in Ecuador. The first sub period running between 1990 and 1994 in Argentina and Venezuela, occurs under an older and more complex procedural civil code and with a complete absence of administrative written guidelines and supervision. This first period in the three countries under consideration is characterized by highly decentralized administrative practices with the handling of all procedures in the hands of each court (and sometimes just in the hands of a law clerk with complete and unchecked administrative and adjudicational discretion). During the first sub period before reforms were implemented, the judge and/or law clerk had extreme discretion over all administrative functions (operational budget, strategic planning, personnel management, supply requests, simple and complex archival tasks, and the handling of court fees) and were not subject to or expected any outside inspections. This initial period is also

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characterized by the relative lack of alternative dispute resolution mechanisms applied to commercial cases in both countries.

In contrast, during the period 1995-99 we observe that these pilot courts were all subject to new rules and to structural changes brought by a new and a much more simplified oral-based procedural code, coupled with a more centralized management of the court system where a specialized type of "court managers" in charge of personnel and budget-related administrative duties were allowed to work within Administrative Support Offices (ASOs) shared by 5 to 10 courts (the number of courts sharing these services depends on the subject matter and country involved). Additionally, computer-based online **corruption** reporting systems were first introduced, thus generating distrust between potentially corrupt court personnel and those offering bribes. In this context, whistleblowers are for the first time protected by law and publicly portrayed as "model citizens" before the press.

1

Therefore, this new period brought an enhanced predictability and transparency before the public in the performance and supervision of administrative functions. Moreover, the internal

administration of the courts were for the first time under the joint monitoring of three agencies: the judicial councils, the legislature's judicial subcommittees, and the executive's anticorruption office. These internal administrative tasks included potential irregularities related with the management of archives, delivery of court notifications, and the management of court fees and personnel. In this way, judges and their clerks could focus their attention on their adjudicational duties.

Moreover, during this second period running from 1994 to 1999 we also observe a relative increase in the number of alternative dispute resolution mechanisms available to court users in commercial case types and the unprecedented overlap of legal and geographical jurisdictions in commercial cases. One could claim that this increase in the number and variety of dispute resolution mechanisms would cause an expected increase in the price elasticity of demand for court services experienced by the court users we surveyed that, in turn, would also hamper the courts' capacity to extract illicit fees from the public.

In Argentina, these administrative, procedural, and legal reforms occurred in 1994-95 and were examined through a pilot test of 200 cases (each case represents a statistical observation) in 10 courts. In Ecuador, the organizational, procedural, and legal reforms were implemented during the period 1992-93 in the 7 pilot courts examined here. The impact of these reforms was assessed through 100 commercial cases (each case represents a statistical observation) brought before these 7 pilot courts. In Venezuela, the organizational, procedural, and legal reforms were introduced in 1995 and were examined through a pilot test of 150 cases in 10 courts. In all these pilot courts, surveys were administered to judges, law clerks, litigators, and firms with cases before these courts. The perceptions of frequencies of corrupt practices were captured in seven annual surveys, during a period of four years before and during a period of three years after the reforms were implemented. The relative frequencies of corrupt practices described in Table 1 above provide the basis of an impact indicator of these reforms that will be used as a dependant variable. Let's test our hypothesis.

The objective now is to assess empirically the relevance of court-related frequencies of perceived **corruption** and verify the influence of six objective variables related to administrative, technological, procedural, and mediation factors. The 6 explanatory variables

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Law 23904 in Argentina, Law 2895-A in Ecuador, and Anticorruption Presidential Decree 239 in Venezuela. Please note that the introduction of "distrust" in potential corrupt transactions as a deterrence factor is mentioned by Cooter and Garoupa (2000).

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chosen here are designed to capture the effects on a dependant variable measured in terms of the compatible subjective probabilities of corrupt practices captured on a survey of lawyers, judges, and litigants.

The first objective variable (COMPUTER) is a discrete factor ranging from 1 to 6 measuring the use of court-related information technology in the pilot courts of all three countries. The computer systems accounted for here can perform the following six functions: (i) jurisprudence/legal data base; (ii) backlog/ court statistics; (iii) case-tracking and monitoring; (iv) word processing used for sentencing; (v) accounting of cash flows monitored by external auditors within the judiciary including the existence of a computer network containing professional and financial information about each court's personnel; and (vi) software and terminals provided to court users who choose to report corrupt practices. This online system would also increase the transparency of court proceedings by providing users with an additional channel to report **corruption** anonymously. Anonymous reporting would also tend to undermine the implicit cooperation required for any corrupt transaction to take place. The lack of this type of information systems can usually be linked to the inconsistencies found in the application of jurisprudence and to the lack of judicial transparency of court procedures. These inconsistencies coupled with the lack of internal monitoring and external transparency all provide judges and court personnel with the capacity to abuse their discretion

at a low expected cost and, therefore, creates an environment within which corrupt practices are more likely to emerge (Buscaglia, 1996). We would therefore expect an inverse relationship between the number of information software systems and the degree of **corruption** surveyed within each court.

From a procedural standpoint, ex-parte communication is still *de facto* permitted and common practice in most Latin American countries where judges usually spend a good part of their day meeting lawyers and parties separately. Buscaglia, Dakolias, and Ratliff (1995, p. 34) estimate that the proportion of the judge's day dedicated to these activities range on average between 20 and 35 percent of their working time. Such ex-parte communication creates incentives for corrupt behavior due to the lack of transparency and accountability within the courts.

Another procedural element contributing to the existence of **corruption** has to do with the lack of enforceable standards applied to the times to disposition experienced by each type of commercial case (Buscaglia and Dakolias, 1996, p 12). Lack of procedural time standards coupled with court delay allow court personnel to "charge a higher price" for speeding the procedure (Buscaglia and Dakolias 1996, p. 25). Within our study, the second objective variable (NUMPROC) measures the number of procedural and administrative steps followed in each of the 450 cases sampled. The third objective variable included in our jurimetric assessment (PROCTIME) measures the times to disposition for each of the 450 commercial cases sampled from the pilot courts. We would expect a positive association between these two procedural variables and the perceived frequency of **corruption** found within the courts. That is, we observe that higher and unjustified variations in times to disposition of the same types of commercial cases tend to go hand in hand with higher frequencies of **corruption**. Traditionally, in most Latin American and, specifically, in most Argentine, Venezuelan, and Ecuadorian courts, the judge has been responsible for strategic planning, managing personnel, administering resources, budgetary control and planning, and, of course, for adjudicating cases. In this context, the high concentration of tacit and informal administrative and jurisdictional roles in the hands of very few and unmonitored court officials allow judges and their secretaries to impose their own organizational tacit rules. In this context, **corruption** can spread in an easier fashion within each court where the judge and law clerk control everything

from promotions and vacation time, to budgetary issues and strategic planning. In this context, "whistleblowers" are less likely to emerge.

From an organizational perspective, the uncertainty and informality in the allocation of court-related tasks to employees and the multiple and informal administrative roles adopted by a typical judge create incentives for corrupt behavior. This used to occur during the first sub period in all three countries as a result of the lack of external monitoring coupled with the lack of enforcement of administrative procedural manuals.

In Venezuela and in Ecuador this high concentration and informality in the allocation of administrative roles has been diminished in the sampled pilot courts since 1994 and 1995 respectively (Buscaglia, 1997, p.7). In Argentina, the modification in this area became part of a pilot court reform program since 1995. We must therefore link the high informality and discretionality in the allocation of administrative and adjudicative tasks with the enhanced capacity of judges and law clerks to extract rents and impose an organizational "tolerance" for corrupt practices among their court personnel. In this context, the fourth variable identified here as ORGROLE measures the proportion of all administrative and jurisdictional tasks concentrated in the hands of each court employee that have been allocated through "informal" mechanisms. This includes administrative tasks where there are no formal and/or written guidelines describing performance and functions or where the current allocation of court-related tasks contradict written guidelines. An index measuring organizational informality in the allocation of tasks (ORGROLE) is here developed where the index equals the sum of the squares of the proportions of all "informal" administrative and adjudicational tasks assigned

to each employee (each of the squares of the proportions corresponds to one employee). Finally, we need to consider the growth of alternative dispute resolution (ADR) channels providing firms with a range of choices where they can demand mediation, arbitration, conciliation, and legal advice. This clearly increases the firms' elasticity of demand for court services and therefore, reduces the capacity of the government's courts to extract illicit rents (Buscaglia, 1995, p. A13). Along this line, our fifth variable (ADR) measures the number of alternative public and private dispute resolution channels found within the legal jurisdictions and subject matters relevant to the samples of pilot courts and of commercial cases selected. Finally, a sixth variable measures the weighted average of real incomes of judges, law clerks, and court personnel (REAL INCOME) capturing an additional element commonly associated with public sector **corruption** (i.e. low compensations).

In the three graphs below, our dependent variable on the vertical axis measures the percentage change in the average frequencies of perceived **corruption** (i.e. court-specific annual average percentage change in the frequencies of **corruption** during the period 1991-99). Each year on the horizontal axis corresponds to a box containing all the observations. The observations in each box measure the average percentage changes in the frequencies of **corruption** for all pilot courts. The middle line in each box shows the median change (each of the asterisks represent an outlier court).

In Argentina, for example, we observe that the median percentage change in the frequency of **corruption** starts to drop in a significant manner just after the pilot courts are subject to the procedural and organizational reforms mentioned above reaching an unprecedented low level in 1999. As we can see below on Graphs 2 and 3, the same trends occur in Ecuador in Venezuela starting in 1994 right after pilot court reforms are implemented.

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GRAPH 1

Impact of Reforms on the Reports of **Corruption** in Argentina

91

92

93

94

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96

97

98

99

2

4

6

8

10

12

*

*

*

YEAR

AVERAGE CHANGES IN THE FREQUENCY OF **CORRUPTION**

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GRAPH 2

Impact of Reforms on the Reports of **Corruption** in Venezuela

91
92
93
94
95
96
97
98
99
-10
-5
0
5
10

YEAR

AVERAGE CHANGES IN THE FREQUENCY OF **CORRUPTION**

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GRAPH 3

Impact of Reforms on the Reports of **Corruption** in Ecuador

91
92
93
94
95
96
97
98
99
-4
-2
0
2
4
6
*

YEAR

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The dependent variable has been statistically adjusted for economic growth and for changes in the number of employees and backlogs. Let us note that the aim of this model is not to explain the absolute level of **corruption**. Our dependent variable aims at capturing the perceived frequencies of corrupt activities within those courts observed by judges, litigators, and litigant firms. In contrast, the dependent variable is designed to identify significant *changes* in the behavioral patterns of the perceived frequencies of **corruption** after the 1993-95 legal, administrative, and organizational related reforms introduced in the three Latin American judicial systems.

We can also observe, in the three graphs above, that the behavior of our dependent variable (annual percentage change in the perceived frequencies of **corruption** per sampled court) goes through a significant decrease beginning in 1994-96, the period when, in accordance with the explanation given above, the aforementioned organizational, procedural, and substantive reforms reduced the capacity of the Argentine, Venezuelan and Ecuadorian court officials to extract illicit rents from users. We can also observe from the length of each of the boxes, that the pilot courts also show a decrease in the spread or standard deviation of the frequencies of perceived **corruption**. This decrease in the standard deviation signals an improvement in the predictability and expected integrity in the judicial environment in each of the countries.

TABLE 2

DEPENDENT VARIABLE: AVERAGE PERCEIVED FREQUENCY OF **CORRUPTION**
VENEZUELA

ECUADOR

ARGENTINA

VARIABLE ADJ R-SQUARE= 0.510 ADJ R-SQUARE = 0.493

ADJ R-SQUARE = 0.411

OLS

P

OLS

P

OLS

P

ORGRULE

0.249

0.00

2.961

0.01

0.235 0.07

PROCTIME

0.991

0.00

0.771

0.02

0.671 0.04

NUMPROC

0.295

0.01

4.903

0.00

2.993 0.04

COMPUTER

-2.683

-0.02

-0.651

-0.03 -1.293

-0.11

REPORT

0.917

0.01

1.233

0.00

0.192
 0.00
 REAL INCOME -0.810
 -0.58
 4.006
 0.13
 -0.810
 -0.45
 ADR
 -2.001
 -0.00
 -3.910
 -0.00 -6.935
 -0.08

Table 2 contains the OLS regression results for the year to year changes in the perceived frequencies of **corruption**. Note that the adjusted R squares are quite reasonable for models of this type (0.51 for Venezuela, 0.493 for Ecuador, and 0.411 for Argentina). The results were tested for multicollinearity and met the basic required assumptions in for these types of models.

The results of the regression analysis in the three countries are consistent and the coefficients are significant and show the expected signs, with the exception of REAL INCOME (average real compensation computed in terms of the basic basket of goods and services).

Our OLS model in Table 2 shows that a an increase in ORGROLE index, measuring the proportion of all administrative and adjudicational tasks allocated to court personnel (i.e. judge, law clerk, and administrative personnel) in an informal and unpredictable manner, causes increases in the yearly changes in the frequencies of **corruption** per court in Venezuela, in Ecuador, and, in a less significant manner, in Argentina.

We can also observe that larger variations in procedural times to disposition (PROCTIME), that occur above the code-specified deadline, do also cause significant increases in the perceived frequencies of **corruption** in Argentina, Ecuador, and Venezuela. This confirms many reports of “speed money-related **corruption**”. It is common knowledge among litigators that procedural times are used as a strategic tool by court employees to extract larger illicit rents from court users. Our findings tend to confirm these views.

Moreover, we observe from Table 2 that an increase in the number of administrative and procedural steps followed in each of the sampled commercial cases (NUMPROC), also comes with significant increases in the frequencies of perceived **corruption** in Argentina, Ecuador, and in Venezuela. In all cases, the coefficients show significance at a 1 or 5 percent levels. This adds credence to the claim that unjustified procedural complexity is usually associated to corrupt practices.

On the other hand, as stated above, information technology performing the following six functions also has a significant impact on the perceived frequencies of **corruption**. Information technology includes (i) the use of a jurisprudence/legal data base online; (ii) accessible backlog/court statistics online; (iii) case-tracking and monitoring system; (iv) word processing used to draft rulings; (v) the online accounting of budget transactions and financial cash flows monitored by external auditors and the judicial councils including the existence of a computer network containing professional and financial information about each employee; and (vi) the presence of computer terminals to be used by court users who choose to report

corrupt practices online. Note that the discrete variable “COMPUTER” ranges from 0 to 6, with 0 meaning the complete absence of information technology and 6 signifying the use of the six systems described above.

A separate variable “REPORT” measures the number of reports channeled through the terminals outside each pilot court. As we can see from Table 2, REPORT is significant at a 1 percent level in all three countries. This confirms that a higher frequency of **corruption** reports also explain the more frequent perceptions of corrupt practices.

Best practices worldwide show that the presence of this bundle of information technology would tend to enhance the consistency in the application of doctrines, jurisprudence, laws, and regulations and would also increase the transparency of court proceedings while also providing users with an additional channel to report **corruption** anonymously. Anonymous reporting would also tend to undermine the implicit cooperation required for the performance of any corrupt transaction. In this context, one would expect that increases in the application of these systems to case and court management would also cause a decrease in the frequencies of perceived corrupt practices in Argentina, Venezuela, and Ecuador.

With respect to the introduction and legalization of alternative dispute resolution (ADR), we observe from Table 2 the significance of introducing private sector-provided commercial mediation and arbitration centers within each sampled jurisdiction. We can observe that ADR causes a significant reduction in the perceived frequencies of corrupt practices.

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Finally, the lack of statistical significance related to the impact of monetary compensations on judicial **corruption** is also noted. It is clear from our jurimetric analysis that changes in the real compensations of judges and law clerks do not affect the perceived frequency of **corruption** during the entire period 1991-99 within which court personnel experienced a 78, 89, and 130 percent increases in real incomes in Venezuela, Ecuador, and Argentina respectively. It is noteworthy that these increases in compensations experienced by the three court systems during the period 1991-99 were granted across the board in each of the court systems and therefore were not associated to merit or performance.

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V.

CONCLUSION

Scholars have observed that corrupt practices may sometimes be welfare improving when individuals, who are *willing and able* to pay a bribe, bypass a rule that is not welfare-enhancing (Macrae, 1982; and Lui, 1985). Nevertheless, one could argue that the widespread effects of **corruption** on the overall social system of developing countries always have a pernicious effect on efficiency in the long run when a vast majority of the population is not able to offer illicit payoffs to government officials, even when they are willing to do so (Buscaglia 1997). Those members of society who are neither able nor willing to supply illicit incentives will be excluded from the provision of a "public good" (e.g., court services) or unable to bypass a welfare-hampering norm. In these cases, **corruption** may only allow those who are able and willing to pay the bribe to bypass a welfare hampering rule.

Moreover, a sense of relative inequitable treatment among the vast majority of the population has a long term effect on social interaction where systemic official **corruption** promotes an allocation of resources perceived to be weakly correlated to generally accepted rights, obligations, and productivity. The average citizen, whose access to a public good is hampered by his inability to pay the illegal fee, then seeks alternative community-based mechanisms to obtain the public service (e.g. alternative dispute resolution mechanisms such as neighborhood councils). These community-based alternative private mechanisms, however, are limited in their supplying and enforcement ability. Hernando de Soto's account of these

community-based institutions in Peru attest to the loss in a country's production capabilities due to the high transaction costs of access to public services (de Soto 1989, pp. 34-67) and to the constraints in scale and scope faced by local institutional arrangements.

We must also take into account not only the societal present and future costs and benefits of eradicating **corruption** in general, but also the changes in present and future individual benefits (rents) as perceived by public officials whose illicit rents will tend to diminish due to anticorruption public policies. Previous studies argue that institutional inertia in enacting reform stems from the long term nature of the benefits of reform, such as added economic growth or investment (Buscaglia, 1999). These benefits cannot be directly captured in the short term by potential reformers within the government. Contrast the long term nature of these benefits with the short term nature of the main costs of reform, notably a perceived decrease in rents to the state officials (e.g. explicit payoffs and other informal inducements provided to court officers). This asymmetry between short term costs and long term benefits tends to block policy initiatives to get rid of welfare-hampering laws and regulations.

Within the judicial domain, previous studies of judicial reforms in Latin America argued that the institutional inertia in enacting anticorruption reform stems from the long term nature of the benefits of reform, such as increasing job stability, judicial independence, and professional prestige. These benefits cannot be directly captured in the short term by potential reformers within specific courts. Contrast the long term nature of these benefits with the short term nature of the main costs of reform, notably a perceived decrease in illicit rents to judges and law clerks (e.g. explicit payoffs and other informal inducements provided to court officers). This asymmetry between short term costs and long term benefits has proven to block judicial reforms and explains why court and legal reforms, which eventually would benefit most segments of society, are often resisted and delayed (Buscaglia, Dakolias, and Ratliff 1995). In this context, court reforms promoting uniformity, transparency, and accountability in the process of enforcing laws, would necessarily diminish the court-personnel's capacity to seek extra-contractual rents, in the form of payments from the private sector. Reform sequencing, then, must ensure that short term benefits compensate for loss of

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illicit rents previously received by court officers responsible for implementing the changes. That is, initial reforms should focus on the public officials' short term benefits. In turn, court reform proposals generating longer term benefits need to be implemented in later stages of the reform process.

This study has shown how the joint effects of organizational, procedural, economic, and legal factors are able to significantly explain the yearly changes in the frequencies of **corruption** within Argentina's, Venezuela's and Ecuador's first instance pilot commercial courts. For the development of reliable policy recommendations, this study also stresses the need to develop **theories** of **corruption** containing objective and well-defined indicators of corrupt activities and an account of factors that are able to capture the institutional characteristics that affect a public officials' willingness and ability to extract illicit rents.

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PRESIDENTIALISM AND CORRUPTION IN LATIN AMERICA: A TALE OF MISLEADING ASSUMPTIONS AND DISRUPTIVE PERCEPTIONS

Carlos Portugal Gouvêa
Cambridge, March 2005

1. INTRODUCTION
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1. Introduction

This paper will discuss the general assumption that presidential systems in Latin America, characterized by the concentration of power in the hands of presidents, are prone to corruption. A common argument of contemporary development theories is that such concentration of discretionary authority generates corruption because the executive can freely negotiate rent-seeking opportunities. Hence, a simplistic view of this problem would be that reducing the power of the executive would reduce corruption. My objective here is not to prove that such statement is wrong, but only to highlight some misleading assumptions surrounding this question, particularly some suppositions which informed the process of political and economic liberalization in Latin America during the last two decades of the 20 th century. I will discuss in some detail three of such assumptions. The first assumption was that Latin American political culture was inclined to authoritarianism and tolerant to corruption.

This would explain why most Latin American countries have systems characterized by “executive supremacy”, with strong presidents, and why levels of perception of corruption are

extremely high in the region. The second assumption is that the institutional framework achieved as a result of the transition from authoritarian regimes in the 1980s was sufficiently democratic to allow a constant process of further democratization. Following this assumption, Congress and the judiciary would become increasingly more legitimate, and would gradually reduce the discretionary authority of the executive. The third assumption was that economic liberalization would complete the transitional process, increasing the legitimacy of political institutions in the long run and reducing corruption. Economic reforms would reduce

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discretionary authority of the executive by means of privatizations, trade and financial deregulations, and creation of independent agencies. To implement such reforms, concentration of power in the hands of the president would be beneficial in the short run, once economic reforms could be implemented promptly. In the long run, such use of autocratic mechanisms would payoff, as a result of the increasing transparency, reduction of the discretionary power of the executive, and, most importantly, economic development.

I will discuss these three assumptions in the each of the four following sections of this paper. In section two I will clarify basic concepts and detail the hypothesis of this paper. In section three I will discuss a few theories of corruption focusing on their ambivalent position regarding executive supremacy. Some theories argue that corruption and executive supremacy might be necessary evils to achieve economic development. Others would state that corruption impairs development, or that the mere concentration of discretionary powers creates opportunities for corruption. I will present an alternative approach, arguing that corruption is correlated with economic inequality and that Latin American societies are trapped in a vicious cycle of concentration of political and economic power that prevents the establishment of responsive democracies. The fourth section will focus on theories of political and economic transition in Latin America describing how those theories justified the development of a political system based on executive supremacy. The political theory of transition was based on elites' pacts and advocated the implementation of a gradualist path to democratization. Regarding economic theories of transition, I will focus on how they perceived the relation between economic reforms and the consolidation of democracy in the region, and why they advocated the use of executive supremacy to implement such reforms.

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See Lawrence E. Harrison, *UNDERDEVELOPMENT IS A STATE OF MIND : THE LATIN AMERICAN CASE* (MadisonBooks, 2000).Page 43

In the last section of the paper I will focus on one particular constitutional feature of presidentialism in Latin America, which is the executive authority to legislate by means of presidential decrees. This characteristic is particularly interesting because it is directly related to the three assumptions that I outlined above, and this analysis will inform my conclusions and proposed institutional reforms. First, broad executive decree authority is probably the most significant aspect of "executive supremacy" in Latin America. However, as I will point out in more detail, it is also a characteristic of institutional weakness of the executive itself, the legislative, and of the political parties in the region. Moreover, executive power to rule by decree is an institutional mechanism which survived the transition from authoritarianism. Finally, decrees were also widely used in the process of economic liberalization in the 1990s, increasing the speed of reforms and limiting the participation of dissenting groups. Finally, the fact that such reforms increased income inequality and poverty in many countries of the region also impacted in the legitimacy of post-transition political institutions.

2. Presidentialism and Democracy in Latin America

This is an interesting moment to get back to political reforms towards democratization in Latin America. Interesting because such debate was unjustifiably overlooked in recent years, under the assumption that transition from authoritarianism was completed, and priority was given to economic reforms²). Also, the assumption was not only that transition from democracy was complete, but also that, at this point in time, economic liberalization would already have

2) Even the institutional reforms being contemporarily financed by multilateral organization in the region seem to be oblivious to the demand of distributing political power and furthering democratization, giving preference to reforms which would compliment economic reforms of the past, such as increasing protection of private property and (Page 5) brought prosperity and stability to the region. However, the regional outlook is not as positive as expected. Not only economic conditions deteriorated as a result of new monetary and financial crises, but also evaluations of the protection of civil rights in the region have been losing ground. Both the political and economic models of transition seem to be under a legitimacy crisis in Latin America. Possible causes for this situation are (i) the perpetuation of institutions from the authoritarian regimes resulting from the model of political transition and (ii) increases in inequality which accompanied economic reforms. In this paper I will focus on the first part, but I will also argue that the legitimacy crisis of the economic reforms is deeply correlated with the legitimacy crisis of the political system, as a result of the democratic deficit of the economic reforms and the unfairness of such reforms. To illustrate my argument in relation to the legitimacy crisis of political transitions, I averaged the Civil Liberties Index measured by Freedom House for 22 Latin American countries for 3 decades, from 1972 to 2001. *What is* 3) interesting to notice is that after the transitions of the 1980s, in which most Latin American countries returned to some form of electoral democracy, the overall protection of civil rights did not improve significantly. In 1972, while many Latin American countries were already military dictatorships, the average Civil Liberties protection index was 3.5. In 2001, after 30 years, the index was 3.2. 4)

It must be mentioned that the indexes improved considerably after the transition.

enforceability of contracts. See World Bank, L EGAL AND JUDICIAL REFORM : OBSERVATIONS , EXPERIENCES , AND A PPROACH OF THE LEGAL VICE –PRESIDENT (World Bank, 2002). 3

Unfortunately Freedom House does not have number prior to 1972. It would be interesting to evaluate if the transition to democracy after the military dictatorships of the Cold War period improved the protection of civil liberties in relation to the previous period.

Database in file with the author.

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However, they started to deteriorate during the nineties, accompanying the economic crises which penalized the region, mainly towards the end of the decade. 5).

The legitimacy crisis of the economic transition is even more explicit. During the 1980's and 1990's, the percentage of the population living under US\$ 1 dollar per day, controlled by purchasing power, was maintained stable, around 11% of the total population. 6). However, the total number increased from 63.7 million to 78.2 million. 7). The percentage of the population living under US\$ 2 per day was also stable around 25% of the population. In the same period, countries in the East Asia and the Pacific reduced their poverty levels from 58% percent of the population living on less than US\$ 1 per day to 15%. To a certain extent, one of the reasons why Latin America was not able to reduce its poverty levels after democratization and economic liberalization was the meager economic performance, particularly in the second half of last decade. From 1995 to 2001, the Latin American region had the slowest growth rate among developing regions of the world, with an average slightly lower than Sub-Saharan Africa. 8). However, the most determinant factor in the maintenance of poverty, which I claim is also related to political legitimacy, is economic inequality. During the 1970's, while the region was dominated by military dictatorships, income inequality increased in the region from 48.4 to 50.8 in the GINI Index. This was not unexpected, considering that authoritarian regimes were supported by economic elites. However, during the 1980's, when almost all dictatorships were

Nonetheless, the improvement in political stability in the region was remarkable. The number of coups d'état in the region decreased in the 1990's to levels similar to those in the beginning of the 18Th century, when most Latin American countries were submitted to colonial powers. From 1840 to 1980, there were more than 15 coups per decade in the region. In 1980 there were less than

5) See David Scott Palmer, *The Military in Latin America*, in *LATIN AMERICA : PERSPECTIVES ON A REGION* (Jack W. Hopkins, Ed., Holmes & Meier, 1999).

6). See World Bank, *WORLD DEVELOPMENT INDICATORS 2005* (World Bank, 2005) available at www.worldbank.org. Analytical tables and graphics in file with the author.

7). World Bank, *WORLD DEVELOPMENT REPORT: ATTACKING OVERTY 14* (The International Bank for Reconstruction and Development / The World Bank, 2001).

8). See World Bank, *supra* note 6.

already come to an end, inequality also increased from 50.8 to 52.2 in the GINI Index. 9). It is hard to explain how it happened under a democratic regime in a region that was, already, the most unequal of the world. Under such conditions, it is not surprising that a recent survey found that 56.5% of Latin

American citizens believe that economic development is more important than democracy, and also that 54.7% of them would prefer authoritarian regimes if they were better able to provide social and economic development.

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This is an astounding demonstration of the legitimacy crises of the political and economic transitions. However, analysts hastened to conclude that Latin Americans lack democratic values and that democracy would be at risk in the region once again. I believe that this conclusion was based on the assumption that Latin Americans perceive themselves as benefiting from a fully democratic regime. Such assumptions may be contested by other assessments of how Latin Americans regard their political institutions, such as by the high levels of perception of corruption, distrust in the government, and by the deterioration in the protection of civil and political rights, particularly among the poor, in the last two decades. Based on those alternative assessments, my assumption is that most Latin Americans perceive themselves as having no political power and as enduring conditions of extreme unfairness. It is hard for those at the bottom of such unequal societies to understand that their government is actually “democratic” when they have no evidence of the benefits of such regime.

An alternative interpretation would be that Latin Americans do not perceive themselves as participating in a fully democratic society because of the lack of responsiveness of their governments to their primary needs. They perceive their government as benefiting only the wealthy, as dominated by corrupt politicians, and as responding to the increase in poverty with

9). See World Bank, *INEQUALITY IN LATIN AMERICA AND THE CARIBBEAN 412* (David de Ferranti, Guillermo E. Perri et al., Eds., The World Bank, 2003)

increasing violence. 11). It is no surprise that 48.1% of respondents who affirmed that they prefer democracy to any other kind of government also mentioned that economic development is more important than democracy 12). This means that most Latin Americans consider that democracy demands more equitable policies and not only formal procedures which legitimate unfair economic reforms. My hypothesis is that Latin American culture is not prone to authoritarianism and corruption, but that the so called “transition to democracy” was incomplete, perpetuating many authoritarian practices and institutions. Worse, in the last decade, as a result of the deterioration of economic conditions and the autocratic means used to implement economic reforms, democratization not only did not improve, but it actually deteriorated in the region.

To test such hypothesis, I will discuss one of the primary means used to implement economic reforms in Latin America in the last decade: presidential decrees. As I mentioned above, presidential authority to legislate is probably one of the main characteristics of “executive supremacy” in Latin America. I will debate the merits or demerits of such institution later. For now I would like to clarify the concept of presidentialism used in this paper. Presidentialism is a system in which the head of government is elected independently of parliament, for a limited term 13). This definition says nothing about the balance of powers between branches of government, but it is implied that there would be equilibrium among them. Hence,

10) See UNITED NATIONS DEVELOPMENT PROGRAM *LA DEMOCRACIA EN AMÉRICA LATINA* 137 (UNDP, 2004).

11). Washington Luiz, a Brazilian President from 1926 to 1930, while facing strikes in the beginning of last century, famously said that “social issues are a matter for the police.” Such spirit still seems to be pervasive in the region. See Juan E. Méndez, Guillermo O’Donnell, and Paulo Sérgio Pinheiro, *THE (UN)RULE OF LAW AND THE*

UNDERPRIVILEGED IN LATIN AMERICA (University of Notre Dame Press, 1999). On the relation between crime and inequality see also Roberto Kant de Lima, "Bureaucratic Rationality in Brazil and in the United States: Criminal Justice Systems in Comparative Perspective", in David J. Hess and Roberto da Matta, *The Brazilian Puzzle: Culture on the Borderlands of the Western World* 241-269 (David J. Hess and Roberto da Matta, Eds., Columbia University Press, 1995).

12). See UNITED NATIONS DEVELOPMENT PROGRAM, *LADEMOCRACIA EN AMÉRICA LATINA* 137 (UNDP, 2004). Page 9

presidentialism does not imply executive supremacy. Executive supremacy might be considered a distortion, and the power of the president to legislate by decrees is probably its main deviation. Many authors have considered such deviation a necessary evil in developing countries because it would help the government to be more efficient.¹⁴) Others have argued that Latin American executive powers are actually weak, what leads them to appeal to authoritarian and unorthodox means, giving the impression of "executive supremacy" when what exists is only general institutional fragility.¹⁵) This last view should be complemented by an approach that is more widely accepted: the idea that Latin American political parties are weak and usually centered in charismatic figures. Party leaders who eventually become presidents may display extreme power. However, considering that presidents do not have a strong party to support them, or an institutionalized opposition to negotiate in Congress, reaching endurable political agreements is almost impossible. ¹⁶). There is appearance of power, no real power, because the president is not able to implement policies based on broad social compacts. In this environment of generalized institutional weakness, one of the mechanisms which the president might use to implement policies is corruption. The executive might try to buy political support in Congress distributing positions in the government, campaign support, privileged information, or under-the-table money. Some authors argued that such relations have prevailed since the transition from authoritarianism in Latin America, and corruption has

13). See Arendt Lijphart, *DEMOCRACIES : PATTERNS OF MAJORITARIAN AND CONSENSUS GOVERNMENT IN TWENTY –ONE COUNTRIES* (Yale University Press, 1984).

14). See Samuel Huntington, *POLITICAL ORDER IN CHANGING SOCIETIES* (Yale University Press, 1968).

15). See Scott Mainwaring, Presidentialism in Latin America, *LATIN AMERICAN RESEARCH REVIEW* 157, 162 (1990) ("Under democratic conditions, most Latin American presidents have had trouble accomplishing their agendas. They have held most of the power for initiating policy but have found it hard to get support for implementing policy. If my analysis is correct, it points to a significant weakness in democratic presidencies.")

16). See Javier Corrales, *PRESIDENTS WITHOUT PARTIES :THE POLITICS OF ECONOMIC REFORM IN ARGENTINA AND VENEZUELA IN THE 1960 S* 13-37 (The Pennsylvania State University Press, 2002).

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thrived. ¹⁷). Again, there are multiple perspectives about this problem. Some corruption theories would argue that a strong executive is good because it makes corruption centralized, organized, and predictable. ¹⁸). Others would say that the concentration of power in the hands of the president by itself creates the opportunities for corruption. However, if there are not powerful mechanisms to oversee parliamentary activity, legislators might also present collusive behavior. In this case, transferring power from the executive to Congress might do no good to prevent dishonest behavior. It might, instead, increase levels of corruption. Despite such conflicting views, a general picture can be drawn. I will assume, first, that both the executive and the legislative powers in Latin America are weak because of the non-institutionalization of party systems; second, that the personalistic and clientelistic characteristics of Latin American politics, resulting from its autocratic past, creates a tendency of executive supremacy; and, third, that such concentration of power in the hands of the executive might increase corruption and have distributional consequences, such as excluding disenfranchised groups from political debate. Considering such assumptions, my argument is that reforms which seek to transfer legislative authority from the executive to Congress and to strengthen political parties would reduce the perception of corruption and would contribute to reduce economic inequality only if articulated with policies to empower disenfranchised groups.

3. Corruption and Presidentialism In this section I will discuss the evolution of theories about corruption, departing from a broad perception of corruption as a moral degradation of constitutional democracy to a more

17). Scott Mainwaring, *Presidentialism in Latin America*, 25 *LATIN AMERICAN RESEARCH REVIEW* 157, 169 (1990).

18). Andrei Shleifer and Robert W. Vishny, *Corruption*, 108 *THE QUARTERLY JOURNAL OF ECONOMICS* 599, 605 (1993).

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technical concept related to the behavior of individual public officials. Under this narrower concept, political corruption can be understood as the behavior of public officials which deviate from the public interest to serve private ends.¹⁹) I will discuss how this technical approach to corruption, and the theories related to it, approach the issue of presidential supremacy. As an alternative approach, I will propose the argument that institutional reforms should focus not only on reducing corruption based on models of individual behavior. They should be primarily concerned with fighting perception of corruption, as identified with perception of unfairness and lack of legitimacy of public institutions. This would lead to a structural approach to political corruption, not focused on individual behavior of public officers but on the distribution of political and economic power in society. To analyze the relation between presidentialism and corruption is not to analyze the individual behavior of the president. It is to analyze the behavior of a power structure represented by the president.

3.1. Realist Theories of Corruption

During the Cold War, it was apparently contradictory for democratic western countries to give economic and military support to dictatorships that were corrupt and extremely violent, such as Latin American ones.²⁰)

One way to solve this contradiction was to consider corruption not as an impediment for democratization and economic development, but as a necessary burden of modernization. The argument was that, first, modernization transforms the values of society, conflicting modern and traditional norms; second, modernization requires the separation of public and private, transforming behaviors that were previously considered normal into digressions; and, third, modernization creates new sources of wealth and power. For such

19). See Samuel P. Huntington, *POLITICAL ORDER IN CHANGING SOCIETIES* 59 (YALE UNIVERSITY PRESS, 1968)

reasons, corruption would be natural to the process of economic and political modernization.²¹) Complimentary to this approach was the idea that corruption would be important to spur economic development, once it would be more efficient for international investors to corrupt local official to reduce expenses with “red tape” than follow the instable and inefficient rules of developing countries.²²)

These realist views about corruption were later articulated in the form of cost-benefit Analysis.²³) consolidating the departure from a moralistic concept of corruption to a more disenchanting, realistic, and skeptical perspective, much better adapted to the demands of the Cold War. On the one hand, the benefits would be the financing of political parties, the reduction of expenses with “red tape”, and the initial concentration of capital for investment in the hands of corrupt entrepreneurs.²⁴) On the other hand, the costs were considered to be the misallocation and waste of resources; the outflow of money from corruption to the international financial system; instability because of scandals; and the gradual loss of legitimacy of governments and political institutions. At the time, it was understood that the corruption of top level officials would be beneficial to economic development and political modernization. After the Watergate scandal, when it was found that corruption in developing countries could also spread to developed countries, such views became unsustainable, creating a demand for a more technical approach to corruption.

20) PATRICK GLYNN , STEPHEN J. KOBRIN AND M OISÉS NAÍM , *The Globalization of Corruption*, in 7-30 *CORRUPTION AND THE GLOBAL ECONOMY* (Institute for International Economics, 1997).

21) See Samuel P. Huntington, *POLITICAL ORDER IN CHANGING SOCIETIES* 59-61 (YALE UNIVERSITY PRESS , 1968).

22). See Nathaniel Leff, *Economic Development through Bureaucratic Corruption*, 3 *AMERICAN BEHAVIORAL SCIENTIST* 8 (1964).

23). See Joseph S. Nye, *Corruption and Political Development: a Cost-Benefit Analysis*, 61 *AMERICAN POLITICAL SCIENCE REVIEW* 417-427 (1967). 24 Assuming that, in poor countries, there would be no other source of initial capital formation than corruption.

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3.2. Economic Theories of Corruption

Advancements in neoclassic economic theory during second half of last century were instrumental to development of a more technical approach to corruption. The theory of regulation argued that corruption would be a mechanism to impose bureaucratic barriers to other competitors, reducing efficiency.²⁵ This also led to the conclusion that officials must have incentives to be honest ²⁶. . Corruption would depend on the magnitude of possible benefits to private parties under control of officials. The cost of corruption would be the probability of being caught times the probability of being convicted times the punishment levied.

27). If costs are lower than benefits which the official can provide to a third party or himself, there is an opportunity for corruption. Based on such approach, it would be reasonable to conclude that it is possible to fight corruption by reducing power in the hands of public officials and by increasing penalties. As I discussed above, the idea that transferring power from the executive power to the private sector or independent agencies would reduce rent-seeking opportunities and corruption was common during the economic transition in the 1990s. Also, such theory could justify the argument that transferring power from the executive to Congress would reduce corruption because it would disperse power and make it too expensive to bribe the majority of legislators. However, the application of industrial organization theory to corruption analysis also demonstrated that decentralizing power might be harmful because it makes corruption unpredictable.

28). Moreover, even under the economic theory of corruption, it is understood that “the opportunities for

25). George Joseph Stigler. *The citizen and the State: essays on regulation*. Chicago: University of Chicago Press, 1975.

26) Gary Becker and George J. Stigler. *Law Enforcement, Malfeasance, and the Compensation of Enforcers*, 3 *JOURNAL OF LEGAL STUDIES* , 1-19 (1974).

27). Susan Rose-Ackerman, *The Political Economy of Corruption*, in *CORRUPTION AND THE GLOBAL ECONOMY* 40 (Kimberly Ann Elliot, Ed., Institute for International Economics, 1997).

corruption remain high if bureaucrats and legislators can collude on a common strategy, despite an institutionalized system of checks and balances.”²⁹. Also, increasing penalties might not be a solution. Anti-corruption laws in Latin America had been widely used as weapons to delegitimize opposing political groups or to destabilize governments, while also increasing perception of corruption instead of reducing it.

3.3. Equity Theory of Corruption

Recently, anti-corruption efforts became a priority for multilateral organizations. Two new approaches to the issue might have influenced this transformation of corruption from a taboo subject into one of the most important development strategies. First, it was found that perception of corruption reduces investment, once international investors would prefer to do business in countries presenting lower risks. ³⁰).

Second, it became clear that corruption has taxing effects on international investors, transferring part of the investment return to local public officers without the counterpart of better public services. ³¹)

For those reasons, anti-corruption efforts gained a level support which they never had before. However, the success of such efforts has been limited. 32).

My argument is that they have been inadequate because of their formalist approach to corruption, focused on the adoption of anti-corruption laws with little regard to the structural causes of corruption. Particularly in Latin America, such formalist approaches have

28). See Shleifer and Vishny, *supra* note 12.

29). See Susan Rose-Ackerman, *CORRUPTION : A STUDY IN POLITICAL ECONOMY* 212 (Academic Press, 1978).

30). See Paolo Mauro, Corruption and Growth, 110 *QUARTERLY JOURNAL OF ECONOMICS*, 681, 686 (1995).

31). See Shang-Jin Wei, How Taxing is Corruption on International Investors, 82 *THE REVIEW OF ECONOMICS AND STATISTICS* 1, 8 (2000).

32). As an example of such formalization efforts, see reports regarding the 1997 OECD Convention on Combating Bribery of Foreign Public Official on Transnational Business Transaction. See OECD Staff, *THE OECD ANTI-BRIBERY CONVENTION : DOES IT WORK ?* (OECD, 2006) available at <http://www.oecd.org/dataoecd/43/8/34107314.pdf>.

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proved incapable of reducing perception of corruption. 33). Most countries have anti-corruption laws. However, selective enforcement of corruption laws, usually focused on opposing parties, has done little to increase the legitimacy of political institutions. An alternative argument, which I believe is particularly relevant in the case of Latin America, would be that perception of corruption is correlated with economic inequality and that both are locked in a vicious circle in which economic inequality increases corruption and corruption increases inequality. 34).

Other theories have already accounted for the obvious fact that

corruption has negative distributive consequences. Corruption by stealing diverts public resources, reducing the capacity of government to invest, and corruption through bribery benefits certain powerful groups, at the expense of the majority of the population.35).

However, another almost obvious conclusion is that inequality in the distribution of wealth also stimulates corruption, once the wealthier will use their economic resources to protect their privileges.

Hence, the circle is extremely difficult to break if anti-corruption efforts are not also targeted at distributing political and economic power. Other analyses following this path also identified a strong correlation between perception of corruption and measures of income inequality based on the GINI Index. One interesting approach was to control levels of protection of private property, considering it as a proxy for institutionalization. It demonstrated that, in societies in which there is a strong protection of

33). At this point it is impossible to disentangle real corruption from perception of corruption. I argued that perception of corruption has a disruptive effect independent of the existence or not of corruption. It is also true that there is no better measure of reduction of real corruption than the reduction on the perception of corruption. For the purpose of this paper, the fact that formalist approaches to corruption did not reduce perception of corruption is a sufficient argument once I am mainly concerned with perception, not real corruption.

34). See Appendix I to III. Correlating the Corruption Perception Index from Transparency International for 1997 to 2003 with the GINI Index in the WIDER database also from 1997 to 2003 for 84 countries, I found a strong negative correlation between both indexes (-.53) demonstrating that income inequality is a good predictor of corruption perception. For similar results with different databases, see Edward Glaeser, Jose Scheinkman, and Andrei Shleifer, *The Injustice of Inequality*, 50 *Journal of Monetary Economics* 199 (2003).

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private property, the effect of economic inequality in corruption is lower.36). In general, I would argue that, in the long run, inequality stimulates corruption even in countries with well established institutions. Corruption, or more properly, the perception of corruption, is firmly

connected with a broader sense of fairness in society. When the government implements policies which burden a majority of disadvantaged groups in society to the benefit of the wealthier minority, it reduces the legitimacy of government and increases the perception of corruption. A higher perception of corruption by itself, no matter how correlated with real corruption, has a disruptive effect in society. It increases the perception of risk and reduces investment. It decreases trust among strangers, reducing opportunities for business and distorting general allocation of resources. It increases the perception of impunity, stimulating corruption by reducing perceived risks of engaging in bribing and stealing of public funds. For those reasons, the long term effects of high economic inequality on corruption might not be underestimated, even in wealthy societies with efficient and well structured bureaucracies.

Latin America is characterized by the weakness of its institutions, as a result of its colonization model, in which political and economic power was usually concentrated in the same hands. Such a political system, with blurred lines separating public and private resources, can be described as patrimonialistic.³⁷

The vicious circle between corruption and inequality which I described above is nothing but a modern description of patrimonialism. Patrimonialism was initially described as a characteristic of pre-modern, medieval societies, in which it was not possible to differentiate between the belongings of the lords and those of the state. Such features

35). See Rose-Ackerman, *supra* note 22, at 33 (“Corruption also tends to distort the allocation of economic benefits, favoring the haves over the have-nots and leading to a less equitable income distribution.”)

36) See Edward Glaeser, Jose Scheinkman, and Andrei Shleifer, *supra* note 34.

37). For an example of the evolution of patrimonialism in Latin America, and its relation with colonialism, concentration of land, and slavery, see Raymundo Faoro, *OS DONOS DOP : A FORMAÇÃO DO PATRONATO P OLÍTICO BRASILEIRO* (Globo, 1975).

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of patrimonialism would disappear with modernization. Industrialization would require efficient bureaucracies and formal rules would separate public and private interests.³⁸) Contemporary Latin American societies proved that patrimonialism might survive modernization. Modern bureaucracies and legal systems can operate to benefit a few, allowing constant transformations of economic power into political power. Fighting corruption in the region requires more than legal formalism. It requires efficient mechanisms to distribute political and economic power.

4. Political and Economic Transitions in Latin America

4.1. Elites' Pacts Theory and Political Transitions

The study of the transition from authoritarianism in Latin America gave rise to a new approach to the theory of democracy, focused on the values of elites and suggesting that mass behavior was secondary in the process of democratization. ³⁹) I will briefly explain aspects of this theory related to the political and economic transitions in Latin America in 1980s and 1990s, and the consequences of the consolidation of what was called “delegative democracy”. The failures of this transition are at the core of the present difficulties in fighting corruption and reducing income inequality in the region. Among such failures, the maintenance of mechanisms of “executive supremacy” is probably the most blatant examples.

The main argument of the theory was that the transition should have been based on series of pacts among elites. It was recognized that such pacts were not democratic, since their objectives would be to maintain the same political groups in power. However, they assumed that such pacts would open opportunities for the achievement of more democratic outcomes in the

38). See Max Weber, *ECONOMY AND SOCIETY* 956-1005 (Bedminster Press, 1968) Page 18
17 future. The transition would have three moments: (i) a military moment; (ii) a political moment; and (iii) an economic moment. ⁴⁰

The military moment would be when the dictatorships turn softer, or “civilized”, by means of pacts between the military and political elites. Such pacts would not be sustainable in the long run, creating an opportunity for new pacts among political

elites, excluding the military. In this political moment, another pact would be made to organize the electoral system; party finance; apportionment of electoral districts; a mechanism to distribute public positions and budgets; and a mechanism to negotiate conflicts arising from the pact itself. It was expected that such pacts would “make possible only marginal and gradual transformations in gross social and economic inequities.”

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For this reason, an economic

moment would be necessary to address those issues. Such theories admitted another limitation to political pacts: they generate disenchantment among the groups that fought for democratization, particularly those not belonging to the traditional political elites.

Looking at this theory two decades later, it is possible to argue that such limitations were much more powerful in preventing a meaningful democratization process than it was expected. Moreover, disenchantment should not be considered a mere side effect. It was a direct result of the way in which those pacts were presented to society. Despite the fact that pacts were implemented by political elites for their own benefit, they were presented to the public as a broad social compact, incorporating the interests of diverse groups, including disenfranchised groups. The general institutional weakness in Latin America was used to make sure some parts of this broad social compact would not be upheld. Many rights, mainly social and economic rights, were enacted and never implemented. Nonetheless, they brought legitimacy to the transitional

39). See Barry Weingast, *The Political Foundations of Democracy and the Rule of Law*, 91 *AMERICAN POLITICAL SCIENCE REVIEW* 245, 245 (1997).

40). See Guillermo O'Donnell and Philippe Schmitter, *TRANSITIONS FROM AUTHORITARIAN RULE 37-47* (The Johns Hopkins University Press, 1986).

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pacts, consolidated or not in new constitutions. At the same time, the political elites, which tilted the political and electoral system to their own benefit, seized control of core mechanisms to change rules to distribute political power, namely, the means of constitutional reform. Disenchantment gradually became distrust, particularly among disenfranchised groups. Faced with the failure of such theories to lead Latin American countries to fully “democratize”, it was developed a new definition of democracy to justify the failures of the elites’ pacts theory. The argument was that Latin American governments would exemplify “delegative democracies”, in which the people would transfer their power to presidents who would become the guardians of the nation, as opposed to traditional models of representative democracy, in which the people maintain a power reserve to control their representatives. 42 This structure clearly resembles to the authoritarian regimes it succeeded, mainly because many institutional mechanisms were maintained, such as the presidential authority to legislate. Given the low level of responsiveness of this system, I prefer to call such structures as “executive supremacy” instead of “delegative democracies”. The democratic character of such systems depends on the existence of effective checks on executive authority, more than on the existence of competitive elections and other formal elements of democratic process.

4.2. Elites’ Pact Theory and Economic Transitions

The economic moment of the transition, which was initially imagined only as a broad process of liberalization, gained a structured form by the end of the 1980s, consolidated in what was called the “Washington Consensus.”43).

Such policies could be summarized on (1) reduction

41). *Ibid.*, at 44.

42). See Guillermo O'Donnell, *Delegative Democracy*, 171 *Kellogg Institute Working Papers* (January 1992).

43). See John Williamson, *What Washington Means by Policy Reform*, in *LATIN AMERICAN ADJUSTMENT : HOW MUCH HAPPENED ?* (John Williamson ed., Institute for International Economics, 1990).

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of fiscal deficit; (2) tax reform; (3) financial liberalization; (4) liberalized exchange rates; (5)

trade liberalization; (6) liberalization of foreign direct investment; (7) privatization; and (8) deregulation. 44) Those reforms were highly unpopular, particularly because of their negative distributive effects. 45) They needed a political theory to guide and justify their implementation. Such theory might be described as the “bitter pill” theory. 46). Such theory proposed that it would be better to implement all reforms at once, and suffer all its consequences together, regaining the path to economic development as soon as possible. The other option would be to implement reforms gradually, and spread the effects of transition over the years, what would delay benefits from global economic integration. 47). here are two practical reasons which would justify such radical approach. First was the idea that, once implemented, such reforms would become irreversible. Second was the hope that such reforms could be implemented during the term of a supportive president, avoiding possible reversals caused by the election of opposing groups. 48). The model described above as “delegative democracy” came in handy for this task. 49).

44). *Id.* at 324. *The original proposition also included redirection of public expenditures towards improving income distribution and policies to reduce informal economy. However, such policies were not implemented in the region in the first moment in conjunction with the other economic liberalization reforms.*

45). *All policies had indirect redistributive effects, resulting from increases on unemployment, lower social investment by the government; or increases in prices of public utilities. Maybe the most direct redistributive effect resulted from tax reforms. Most reforms in the region were direct towards reduction on income taxes and increases in consumption taxes, with a clear regressive character. See Samuel A. Morley, Distribution and Growth in Latin America, 66 Trade and Macroeconomics Division Discussion Paper (International Food Policy Research Center, 2001).*

46). *Also called “shock therapy” by economists, in similar contexts.*

47). *See ADAM PRZEWORSKI, DEMOCRACY AND THE MARKET : POLITICAL AND ECONOMIC REFORMS IN EASTERN EUROPE AND LATIN AMERICA 163 (Cambridge University Press 1991).*

As described by the OECD at the time, “while a gradualist approach may cause lesser social tensions, a long period of moderate reforms entails the danger that both reformers and the population will ‘become tired of reforms’, as they do not seem to bring visible changes. Also during long period reforms various anti-reform and other lobbies may mobilize their forces and gradually strangle the reform process”. Organization for Economic Co-operation and Development, TRANSITION FROM THE COMMAND TO MARKET ECONOMY 9 (OECD, 1990).

49). *As described by O’Donnell, the technicians implementing economic reforms “must be politically protected by the President against the manifold resistances of society. (...) The President [then] isolates himself from most existing political institutions and organized interests, and bears sole responsibility for the successes and failures of “his” policies. [Popular opposition to reforms] further increases the political isolation of the President, his difficulties in*

My argument is that such theoretical approaches misevaluated the costs of such reforms for disenfranchised groups and overrated the political capacity of such groups to oppose those policies. The costs were imagined only in terms of lower economic growth. However, lower economic growth cumulated with increases in economic inequality generated social disruptions which costs have not yet been accounted for. Maybe the costs of the “bitter pill” reached a “tipping point” in which the levels of institutional degradation, social violence, lack of trust in government, and corruption will impair those countries from recovering for a much longer time.

That is what a responsive political system should have avoided. But there was not such a system in place. Instead, “deliberative democracy” shielded incumbents from facing the reaction from already powerless groups burdened by reforms, while maintaining its permeability to the influence of economic elites.

5. Executive Authority to Legislate in Latin America

Constitutional authority of the president to legislate by decree became a feature of Latin American politics after the transition from authoritarianism. Its “constitutionalization” was demanded to implement economic reforms once it was believed that parliaments would not act fast enough and would not have the technical tools necessary to fight financial crises. The chaos

generated by hyperinflation and the financial collapse of governments in the 1980s justified the aggressive use of constitutional powers by presidents. There is no better example of such forming a stable coalition in Congress, and his propensity to sidestep, ignore, and/or corrupt those other institutions.” See See Guillermo O’Donnell, *Delegative Democracy*, 171 Kellogg Institute Working Papers (January 1992). 50).

This would also explain why Latin American countries have been growing at rates much lower than other developing countries in the last decade and most countries still grow at rates lower even than those of developed Countries. See Comisión Económica para América Latina y el Caribe, *BALANCE PRELIMINAR DE LAS ECONOMÍAS DE AMÉRICA LATINA Y EL CARIBE* (CEPAL, 006).

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aggressiveness as the first attempt to implement a “shock therapy” in Latin America, and in the world. In August 1985, Bolivian President Victor Paz Estenssoro enacted the Supreme Decree 21060. The decree had 170 articles, which liberalized exchange rates; foreign investments; reduced tariffs dramatically; liberalized labor regulations; eliminated price controls; demanded a tax reforms; and created rules to reduce public expenditure. 51). About twenty years later, Evo Morales was elected president of Bolivia, after significant social turmoil 52). , advocating the gradual overruling of Decree 21060. No matter the merits of the policies implemented by Decree 21060, it will always be an extreme example of the use of executive authority to legislate, pushing the boundaries of presidential constitutional powers. 53).

Before coming back to more examples and analyses of the use of executive authority to legislate in Latin America, I will describe a few different models of such mechanism.

There are four main models of presidential legislative authority: (i) executive authority to rule by decree; (ii) delegated authority to legislate by Congress; (iii) veto power; and (iv) agenda setting powers. My main concern here is with the two more extreme forms, in which the legislative power is exercised directly by the executive. Indirect forms such as veto powers and agenda setting will not be discussed in deep here. However, they might also be mechanisms of executive supremacy, particularly when the president can issue partial vetoes and Congress has to overcome high thresholds to reverse them, or in cases in which presidents have unlimited

51). See *Bolivia, Decreto Supremo No. 21060 (August 29, 1985)*, available at servdmzw.sbef.gov.bo/circular/leyes/DS21060.pdf

52). In October 17, 2003, President Gonzalo Sánchez de Lozada resigned under the pressure of intense public demonstration and protests. Sánchez de Lozada was the minister of planning in Estenssoro’s government and drafted Decree 21060. His vice-president, Carlos Mesa, assumed the presidency and was forced to resign in June 6, 2005. To avoid a civil war, new election were called for December 18, 2005.

53). Article 96 of the 1967 Constitution of Bolivia gives the following authority to the President: “*ejecutar y hacer cumplir las leyes, expidiendo los decretos y ordenes convenientes, sin definir privativamente derechos, alterar los definidos por la ley ni contrariar sus disposiciones, guardando las restricciones consignadas en esta Constitución.*” Decree 21060 is an example of a very broad interpretation of this article.

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powers to introduce new bills in Congress with voting priority, giving the president the power to block the agenda of the legislative branch. The executive power to rule by decree has three main categories: (i) administrative decree power; (ii) permanent legislative power; and (iii) temporary legislative power. Administrative decrees are those which have hierarchical status inferior to regular legislation.

54). In countries in which there is not a strong Judiciary, such authority can be exceeded easily, creating supra-constitutional authority to legislate. Permanent legislative decrees would be those that have permanent legislative status, immediately or after a certain limited period of time. An example of the latter would be the Ecuadorian “decreto-ley”, described in articles 155 and 156 of the 1998 Constitution. The president can introduce bills regarding urgent economic matters and, if Congress does not vote such bills in 30 days, the president has the power to enact them. An example of the former would be the model of the 1993 Peruvian Constitution, which gives the

president the power to enact decrees on economic and financial matters, which have effect immediately. Temporary legislative decrees would be those that have immediate effect, but which require, for example, congressional approval after a certain period of time to become permanent laws. Such is the case of Brazilian “provisional measures” of article 62 of the 1988 Constitution and Argentinean “need and urgency decrees” of article 99 of the 1994 Constitution. Latin American constitutions present examples of all kinds of presidential decree powers. One historical similarity is that such instruments were intimately related to the economic crises of the 1980s. The public demanded the executive to react quickly in face of hyperinflation and 54).

*Another model of decree power exercised many times in Latin America might be described as supra-constitutional decree power. Many decrees had no constitutional grounding and were implemented based on the prestige of the president and in the mist of economic crises and institutional disarrangement. I will not discuss such model here because it would demand a more detailed evaluation of individual decrees and specific constitutional systems. See John M. Carey and Matthew Soberg Shugart, *Calling Out the Tanks or Filing Out the Forms?*, in *EXECUTIVE DECREE AUTHORITY* 1-29, 14 (John M. Carey and Matthew Soberg Shugart, Eds., Cambridge University Press, 1998).*

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massive unemployment. As a result, many new Constitutions, which were supposed to represent the transition from authoritarianism, also maintained or expanded mechanism of executive legislative authority. Even in those countries where such mechanisms were not restricted to economic policies, decrees were overwhelmingly used to implement economic reforms. Brazil is an extreme case. Between 1989 and 1997, about 86% of all “provisional measures” were related to economic policy. 55).

In Argentina most “need and urgency decrees” were also related to stabilization plans and market reforms. Particularly before such mechanisms were regulated by the 1994 Constitution, such decrees were a result of delegation by Congress, such as in the case of the 1989 Administrative Emergency Act and Economic Emergency Act. Such acts gave the president broad powers to regulate privatizations; trade and financial liberalization; monetary deregulation; and fiscal and tax reforms. During the first presidency of Carlos Menem, from 1989 to 1995, about 58% of all legislative activity was based on “need and emergency decrees” 56).

; in a clear illustration of executive supremacy.

In the context of this paper, the executive power to legislate has three problems. First, it generates imbalances between powers. The second problem, more directly related to the main concerns of this paper, is that, theoretically, broad executive decree authority increases the possibility of corruption, once the president can freely negotiate rent-seeking opportunities. However, I believe that the worst effect is that it increases the perception of corruption. It makes easier for the government to implement policies that have negative distributive effects, once the president does not have to deal with opposing parties and interest groups representing those suffering the burdens of reforms. Even if there is no actual corruption, the negative distributive

55). See Argelina Figueiredo and Fernando Limongi, *Presidential Power, Legislative Organization, and Party Behavior in the Legislature*, 32 *COMPARATIVE POLITICS* 115, 146 (2000).

56). See Gabriel L. Negretto, *Government Capacities and Policy Making by Decree in Latin America: The Cases of Brazil and Argentina*, 37 *COMPARATIVE POLITICAL STUDIES* 531, 553 (2004).

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effects of such policies, coupled with its autocratic mechanisms of implementation, increase the sense of unfairness and distrust in society, increasing also the perception of corruption. As argued before, considering that perception of corruption and income inequality are correlated, preserving presidential authority to legislate only nurtures the vicious circle. Nonetheless, only transferring power from the president to Congress may not help reduce the perception of

corruption or prevent the implementation of regressive policies. Mechanisms should be directed towards real distribution of political power, not only towards the transference of power among political elites.

6. Fighting Corruption and Inequality by Limiting Presidential Authority

In the previous sections of this paper I presented four arguments. First, that “executive supremacy” in Latin America is a result of generalized institutional weakness related to its colonization structure, and not to a cultural tendency to authoritarianism and tolerance to corruption. Slavery, violence, and extreme concentration of political power and economic resources have more to do with institutional weakness than “Latin American values.” It is a matter of changing political and economic structures more than changing culture. This claim is supported by my second argument that perception of corruption is correlated with economic inequality, once structural distribution of power is statistically more significant than values. A third argument is that the political structure of “executive supremacy”, or “delegative democracy” for the more optimistic, maintained many features of authoritarianism, chief among them the broad executive authority to legislate. My fourth argument is that the use of executive decree authority to fight economic crises and implement liberalizing reforms weakened political institutions even more, increasing economic inequality and perception of corruption and

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unfairness. As a conclusion, I will describe why this situation is dangerous in societies as unequal as Latin American ones. I will also propose a direction for reforms.

6.1. Income Inequality and Political Tolerance to Unfair Economic Reforms

In highly unequal societies, governments should have checks in their capacity to implement policies and new legislation which might have negative distributive effects. Such societies should devise new institutional arrangement by which groups with limited access to economic power might compensate this asymmetry by using their political power. Otherwise there is a high risk that governments will implement policies which increase inequality, considering its low political opposition. I will present a graphic version of the argument to make it clearer.

Political Tolerance to Unfair Policies

The graphic above describes the distribution of income in two different societies. Society 1 is highly unequal and Society 2 has a more equitable distribution of income. The objective of this graphic is to demonstrate how distribution of income might impact on tolerance to unfair economic and financial Policies. 57). This model should be interpreted in light of theories of political transition that assume that economic reforms would have a negative impact on income for a while, which would be compensated by higher levels of economic growth in the future. 58). This model describes a situation in which such loss is distributed evenly in society. Everyone losses the same amount of income. This effect is clearly regressive and would increase inequality in society, despite the fact that the slope of distribution would be the same and all members would incur in equal loss. The hope is that future economic growth would generate the opposite effect (“a rising tide lift all boats”), reducing economic inequality. However, there is a hidden unfairness in this process. It resides in the fact that the income loss is irrelevant for the wealthier strata of society, and for the lower strata it means that they are going to endure extreme deprivation. The poorer strata will endure permanent loss, such as reduction in their live expectancy, health damages, exposure to violence, and educational deficits. A mere recovery on income in the future might not account for such losses. In fact, those suffering deprivation will have a permanent loss in their equality of opportunities. Hence, policies that force part of the population to suffer extreme deprivations might be considered unfair if they are not accompanied by compensatory policies. Moreover, in societies with high levels of income inequality, such as Society 1, income losses drive only a small percentage of the population below the poverty line. Hence, policies

that create deprivation face little political opposition. It might be argued that political reaction will come when a critical mass is achieved. However, the incremental character of such losses

57). *In this model, the concept of unfairness is derived from Rawl's second principle of justice. One formulation of the principle is that "social and economic inequalities are to be arranged so that they are both (a) to the greatest expected benefit of the least advantaged and (b) attached to offices and positions open for all under conditions of fair equality of opportunity". See John Rawls, A THEORY OF JUSTICE : REVISED EDITION 72 (Harvard University Press, 1999).*

58). *The red line represents the distribution of income before reforms. The blue line demonstrates the distribution after reforms.*

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might lead to a different kind of reaction: the silent process of social fragmentation based on violence, distrust, and disenchantment. Conversely, in more equitable societies such as Society 2, similar policies would drive a much larger percentage of the population below the poverty line. Supposing that both societies have similar gross domestic incomes, resulting in also similar perceptual negative growths and total income losses, it is easy to perceive that the popular outcry in more equitable society would be much more intense because a larger percentage of the population would be driven towards deprivation, even if the final percentages of people under the poverty line in both societies would be similar. 59).

Also, in more equitable societies the reaction to unfairness might take the form of public demonstrations and political pressure which could slowdown such policies or demand compensations for extreme deprivation. In unequal societies, reaction to unfairness takes the form of distrust in political institutions, based on a generalized perception of corruption, and increasingly low compliance with rules. In equitable societies, the tipping point is reached when there are public demonstrations. In unequal societies, the tipping point is hard to identify, and when it is reached, it is already too late to slowdown or reverse policies.

6.2. Limiting Presidential Authority to Implement Unfair Economic Policies

As discussed in the previous section, the executive authority to legislate is, in Latin American constitutional systems, the main possible source of unfair economic policies. It is also a very powerful mechanism to feed the vicious circle of corruption perception and income inequality. To prevent such effects, Latin American constitutional systems should incorporate

59). *This conclusion is based on the assumption that poverty also means powerlessness and deprivation of political rights. For this reason, increases on poverty levels do not generate the same level of political opposition from those already in poverty than from newcomers. See World Bank, WORLD DEVELOPMENT REPORT : ATTACKING POVERTY (The World Bank, 2001) ("poor people are active agents in their lives, but are often powerless to influence the social and economic factors that determine their well-being").*

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checks on executive authority to legislate in matters of economic policy. From the previous discussion it was possible to conclude that reforms to strengthen political parties, to transfer legislative authority from the executive to Congress, and formal mechanisms to fight corruption, such as increasing penalties, can only be successful if articulated with reforms which distribute political power to the disenfranchised groups.

My proposal is to require that every decree or proposed bill related to economic and financial policies issued by the president should include a cost-benefit analysis focusing on their distributive outcomes. Each department proposing the legislative piece would be responsible for preparing the distributive cost-benefit analysis. Those studies would then be presented to a "Council of Social and Economic Development", which would approve or not such assessments. This process by the Council should include public hearings and analyses by independent consultants.

The objective of such mechanism is to reduce the informational asymmetry between the executive power and groups which might bear the costs of reforms, particularly disenfranchised groups which risk enduring some form of deprivation as a result of economic reforms. The

president would have to expose the possible costs inherent to economic and financial policies, and identify winners and losers. Not only it would reduce informational asymmetries, but it would also increase transparency, as groups benefiting directly from reforms would have to demonstrate how those benefits would be to the advantage of society as a whole. The distributive analysis would also represent a social compact, in which the government would present an assessment of efficiencies created by reforms, its costs, benefits, and possible compensations for damaged groups. Misleading distributive analysis would also invite scrutiny

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in the future, creating checks on governmental activities based on forward-looking assessments revealing possibly hidden winners and losers.

Another benefit of such mechanism would be to slowdown the process of economic reforms. Many recent economic analyses demonstrated that there is an inner virtue on gradual reforms. Not only they are more democratic, giving dissenting groups an opportunity to present alternative policies, but they are also more prone to generate sustainable economic growth, once such policies are usually based on broader social compacts. 60).

Economic policies implemented based on thin popular support might lead to reversals, creating many unnecessary costs for poor countries with very limited resources.

Requiring distributive analysis might also be beneficial by itself. Some governments possibly already apply distributive analyses to most of their policies. However, it is more likely that most incumbents simply do not request comprehensive distributive analyses while evaluating economic policies. As discussed above, the outcome of implementing economic reforms without due regard for their distributive consequences could be very unpleasant. Requiring such analyses might lead governments to reformulate their policies, even before making them public, leading to sounder police making.

Another important element of this proposal is the creation of a Council of Social and Economic Development with constitutional status. The main objective of the Council is to require the government to engage in a public dialogue with representatives of civil society, creating an opportunity for disfranchised groups to negotiate possible compensatory policies with representatives of the government. To achieve this objective, the Council should be

60). *Dani Rodrik, NEW GLOBAL ECONOMY AND DEVELOPING COUNTRIES 89-95 (Johns Hopkins University Press, 1999).*

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compounded by an equal number of representatives of government and civil society.61).

As mentioned, the Council would not have the authority to modify or veto proposed bills and decrees. It should be responsible for making sure that distributive analyses for such projects are sensible. This process would also have the benefit of increasing publicity over such assessments, including public hearings. This structure should increase transparency in the process of economic reforms, reducing the perception of corruption. It might also reduce the “delegative” character of Latin American political systems, requiring presidents to engage in a continuous dialogue with civil society at large, and not only the elites.

This program is not only a program for institutional reform. It is also a program for the direction of Latin American legal scholarship. The distributive impact of economic and financial reforms in the region has not occupied the research agenda of Latin American legal scholars with the required intensity. Considering that the region has the highest levels of income inequality in the world, and also considering how economic distribution is relevant for political stability and institutional legitimization, such concern should be central, at least for every scholar dedicated to constitutional aspects of economic and social policies. 61).

The debate about the composition of the council is crucial. For now I will only mention that the council should have representatives from labor and corporate unions. As a consultative body, its main objective is to create an opportunity for public debate.

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Appendix I. Scatter Diagram of Corruption Perception Index (CPI) and Gini Index of Income Inequality (GINI) for 84 countries weighted by their GDP per capita (averages from 1997-2003) The graphic comparison between the Corruption Perception Index (CPI) for 84 countries, averaged from 1997-2003, as measured by the Transparency International, and the GINI Index for the same 84 countries, also averaged from 1997-2003, illustrates the argument of the vicious circle between corruption and economic inequality. The downsloped regression line demonstrates the negative correlation between both indexes. Considering that the CPI is higher for countries with low levels of corruption, it is possible to argue that corruption and economic inequality are positively correlated. Each country point is weighted by its GDP (Gross Domestic Product) per capita (in constant 2000 US\$) averaged from 1997-2003 from the 2005 World Development Indicators database. It is interesting to notice that all countries below the average CPI for the sample (4.7) are also low income countries (GDP per capita below US\$ 6,000). It might also be argued that the vicious circle between corruption and inequality is important factor in maintaining developing countries in a low level equilibrium that prevents long term sustainable economic development.

Appendix II. Regression – Corruption Perception Index (CPI) and Gini Index of Income Inequality for 84 Countries (averages from 1997-2003)

VII