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**Driving to anti-corruption utopia without a roadmap.  
Assessing the theoretical basis for  
Corruption Prevention Strategies of Global Institutions.**

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## **Abstract**

There has been an explosion of interest in anti corruption since the 1990s, particularly by global institutions and NGOs such as the IMF, the World Bank, the OECD and Transparency International. Anti Corruption strategies are promoted to Less Developed Countries as both a means of improving the delivery of services to citizens and as a pre requisite for the receipt of aid. A massive anti corruption aid industry has grown on the body of the global polity where none had existed before.

The global institutions appear to be promoting these programs based on little actual research and without a genuine theoretical basis. The only viable coherent body of theory available is the Political Economy approach which relies on the underlying tools and assumptions of neoclassical economics and public choice theory. It is apparent that this is inadequate as the basis for practical anti corruption measures, and most global institutions and NGO's promote a variant of the improve governance, institutions strengthening strategy.

This paper suggests that it is important to have a theoretical understanding of how corruption functions, and that some fruitful areas of research have been overlooked. Corruption should be understood as a social process and therefore interdisciplinary research using the tools of criminology, Social Network Analysis, Power Dependence Theory and other areas of social research will yield insights that assist in providing answers to some of the basic research questions yet to be answered. Research in these areas may improve the effectiveness of the global anti corruption industry whose success to date has not been encouraging.

**Key words:** Corruption; anti-corruption; governance; organizational theory; social network analysis; criminology

## Resumo

Desde a década de 1990 que se tem vindo a verificar uma enorme vaga de interesse pela luta contra a corrupção, sobretudo por parte das instituições mundiais e organizações não governamentais, como o FMI, o Banco Mundial, a OCDE e a *Transparency International*. São promovidas estratégias de luta contra a corrupção para os países menos desenvolvidos, quer como uma forma de melhorar a prestação de serviços aos cidadãos, quer como condição prévia para receberem ajudas. Um enorme sector de ajuda empenhado na luta contra a corrupção cresceu na comunidade mundial, onde antes nenhum existia.

Afigura-se que as instituições mundiais estão a promover estes programas com base numa insuficiente investigação efectiva e sem disporem de uma verdadeira base teórica. O único corpus teórico coerente e viável que se encontra disponível é a abordagem da economia política, assente nos instrumentos e pressupostos subjacentes à ciência económica neoclássica e à teoria da escolha pública. Isto é notoriamente insuficiente para fundamentar as medidas práticas de combate à corrupção, sendo que a maioria das instituições mundiais e ONG se limita a promover uma variante da estratégia de melhoria da governação e de reforço das instituições.

No presente *paper* sugere-se que é importante possuir uma compreensão teórica do modo como a corrupção funciona e que há várias áreas de investigação proveitosas que têm sido negligenciadas. A corrupção deve ser entendida como um processo social, pelo que a investigação interdisciplinar, que utiliza os instrumentos da criminologia, da análise de redes sociais, da teoria da dependência do poder e de outros domínios de investigação social, produzirá informações aprofundadas que ajudem a responder a algumas das perguntas da investigação de base que ainda aguardam resposta. A investigação nestas áreas pode melhorar a eficácia do esforço mundial de luta contra a corrupção, cujo êxito não tem sido, até agora, animador.

**Palavras-chave:** Corrupção; anti-corrupção; governança; teoria organizacional; análise de redes sociais; criminologia

# Driving to anti-corruption utopia without a roadmap. Assessing the theoretical basis for Corruption Prevention Strategies of Global Institutions.<sup>1</sup>

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## Introduction

Since the 1990s there has been an explosion of interest in anti corruption, which is the current umbrella term being used internationally to describe the efforts to “do something about” corruption. The unusual feature of this “Big Bang” of the anti corruption universe is that it has occurred in a theoretical vacuum.

The only real contender for a coherent “theory” of corruption is the “Political Economy” theory of corruption first outlined by Susan Rose Ackerman in 1978.<sup>2</sup> Consequently, during the 1980s and 1990s economists were firmly in control of the direction of corruption research. The Political Economy approach to corruption has provided useful insights however it has failed to deliver answers to key questions in corruption research: what is the precise mechanism of corrupt network functioning?; why is corruption so resistant?; and, why do corrupt actors become involved in corruption for such small relative benefits?

The dominance of the Political Economy approach seems to be waning and global institutions have predominantly adopted the improvement of governance and institution strengthening approach in their anti corruption strategies. While such strategies are useful and relevant in the international development context they are not backed by any real theoretical understanding of how corruption functions. Any true understanding of corruption will require a concerted interdisciplinary approach. Practical action without understanding the “why” and the “how” of the problem will yield incomplete and less effective results.

The problem for the global institutions is that corruption in Less Development Countries (LDCs) is not simple, consistent, or easily quantified. It is complex, multi factorial and intimately linked to the fundamental complexity of human social relations. Institutional and political governance arrangements are only one aspect of this seemingly intractable and complex problem. I would suggest that the current focus on governance and institution strengthening has diverted attention from other fruitful areas of research. Two key areas of research appear to have been overlooked: criminological research into

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<sup>2</sup> Rose Ackerman S. *Corruption – A Study of Political Economy*. Academic Press, New York, 1978.

police corruption; and, sociological research that understands corruption in terms of the operation of social networks.

In this paper I will outline how criminological research into police corruption has applicability to global corruption research. I will then focus on the value of applying sociological theories to corruption research. In particular I will argue that a social networks approach opens research to a range of useful empirical and qualitative research tools and methodologies from the fields of social network analysis, psychology, social psychology and political science.

### **A brief history of corruption theory**

It is difficult to chart the study of corruption prior to the anti corruption “Big Bang” and there is little on offer prior to the 1960s. There was plenty of corruption around of course, and Noonan’s encyclopaedic *Bribes* details and describes what was perceived to be “corruption” up to the modern era.<sup>3</sup> So while we know that it was deemed very poor form to bribe a judge in the city of Nuzi in 1500BC Mesopotamia, we don’t know a great deal about how and why such bribery occurred and how it actually functioned.

Noonan’s work of historical description is representative of most approaches to corruption prior to the 1960s. Everyone loves a corruption scandal, particularly so they can wallow in every lurid detail of how the mighty and powerful have abused their position. So while there are plenty of descriptions of corruption scandals over the years, there are few attempts to seriously apply any theoretical underpinnings to explaining why and how corrupt conduct occurs.

Corruption had received sketchy treatment until this time by political scientists and economists alike. The work by political scientists was mostly descriptive, institutional or normative. Trawling through an oft quoted work, Heidenheimer’s *Political Corruption*, suggests a dearth of actual empirical research. A large amount of

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<sup>3</sup> In the sense that it was deemed to be sanctionable behaviour. Noonan J. *Bribes*, University of California Press, Berkeley, 1984.

the contributions are descriptive.<sup>4</sup> A huge amount of energy was expended by political scientists arguing over the definition of corruption. The problem seemed to be that everyone was looking for a universal definition of corruption when this may not be possible. The final outcome of this debate was less than helpful with most global institutions settling for, “the abuse of public office for private gains.”<sup>5</sup> This definition is broad enough to capture most forms of corrupt behaviour but provides no real theoretical guidance as to what corruption is.

In the 1970s economists tried applying neoclassical economics models to the idea of corruption. I don't use the phrase “problem of corruption” because hard-line economic rationalist theory did not allow that corruption was in fact a problem. Their ideological/theoretical bias led them to interpret the evidence supporting the view that corruption was basically functional, and if not to be encouraged, then at least tolerated for its role in undermining the leaden and market distorting hand of bureaucracy.<sup>6</sup> Thus economists such as Tillman and Van Klaveran portrayed the public official as the rational optimising entrepreneur, using their positions to create a market for public goods. Corruption was a legitimate market corrective and morality was misplaced in this context. Ironically, subsequent research carried out by economists has demolished this functionalist approach.

In any case, by the 1970s there were only two identifiable approaches to corruption that had emerged: the economics/functionalist approach; and, the political science approach which viewed corruption in terms of normative understandings of the concept of public duty in public office and the role of the “public interest”.<sup>7</sup>

The problem for the political scientists was that their approach to corruption was based on little more than typologies of corruption and descriptive accounts of corrupt

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<sup>4</sup> Heidenheimer A (Ed) *Political Corruption: Readings in Comparative Analysis*. Transaction Publishers, New Brunswick, 1970.

<sup>5</sup> According to Shang-Jin Wei notes, this is the definition that has generally been adopted by the World Bank and the International Monetary Fund (IMF). “Corruption in Economic Development: Beneficial Grease, Minor Annoyance, or Major Obstacle?” *Harvard University and National Bureau of Economic Research*, Paper presented to Workshop on Integrity in Governance in Asia, Bangkok, June 29-July 1, 1998.

<sup>6</sup> See Hutchcroft P, “The politics of privilege: Assessing the impact of rents, corruption and clientelism on Third World Development.” In Paul Heywood (ed) *Political Corruption*, Blackwell, Oxford, 1997: p224.

<sup>7</sup> Heidenheimer. A J, “Definitions, Concepts and Criteria of Corruption”, In J Douglas & J Johnson (Eds), *Official deviance: readings in Malfesance, misfeasance, and other forms of corruption*. J B Lippincott company, Philadelphia, 1977.

conduct. Description doesn't explain, and in the post Watergate period, the evidence was mounting that corruption was bad for the economy<sup>8</sup>, bad for the citizens<sup>9</sup> and bad for stable government.<sup>10</sup> A model of corrupt behaviour was needed that explained why corruption happened and was powerful enough to make predictions about the conditions under which it would arise, flourish or diminish. At least the economists, relying on general neoclassical principles and theories of economics behaviour could legitimately claim to have a "theory" of corruption, whereas the political scientists could not.

### *The Political Economy approach*

I would suggest the turning point for the economists was Susan Rose Ackerman's<sup>11</sup> seminal work *Corruption: A Study in Political Economy* published in 1978.<sup>12</sup> She gathered her tools of political economy and proposed a consistent, coherent, market based model of corruption. In doing so she was clearly declaring that the tools, techniques, assumptions and methods of neoclassical economics can be appropriately applied to the field of corruption research.

Rose Ackerman was able to distance herself from previous economist's accounts by renouncing functionalism and using economists' methodology to show why corruption has such negative effects. Departing from previous economics theorists she admitted that: there was an implicit and very real tension between market systems of resource allocation and western liberal democracy; corruption was a manifestation of this tension; and democracy as a system of government can only succeed if politicians renounce their own interests and the urges of rational optimisation and place the public interest first.<sup>13</sup> Here was an economist espousing values as the cure for corruption. This was anathema to

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<sup>8</sup> Asia: markets that performed worst were all near bottom of corruption index. <http://www.transparency.de>. Wall Street Journal, July 21, 2000 <http://www.wsj.com>. See also Shang-Jin Wei, *Op Cit*. Alberto Ades, Rafael Di Tella, "The Economics of Corruption: A Survey and some new results." In Paul Heywood (ed) *Political Corruption*, Blackwell, Oxford, 1997: pp80-99.

<sup>9</sup> Gupta S, H Davoodi, R Alsonso-Terme. "Does Corruption affect income inequality and poverty." International Monetary Fund Working Paper No WP/98/76, May 1998.

<sup>10</sup> The most compelling critique is supplied by Rose Ackerman herself in *Corruption and Government. Causes, Consequences and Reform*. Cambridge University Press, Cambridge, 1999. Ch 1.

<sup>11</sup> Who was herself a member of the Transparency International Council on Governance and Research.

<sup>12</sup> Rose Ackerman S, 1978, *Op Cit*.

<sup>13</sup> *Ibid*: p2.



some, but most political scientists and economists could see the value of the insights Rose Ackerman had obtained.

Rose Ackerman is a “Political Economist” however she appears to be writing from within the tradition of rational choice theory. According to Van Winden, in essence, rational choice and political economy are the same thing.<sup>14</sup> They are merely an attempt to apply economic models to the political sphere, using certain assumptions about how society is organized such as: the primacy of methodological individualism; individuals generally strive after their own interests in a rational way to maximize their “utility”; and, the applicability of the techniques of economic analysis with a preference for quantitative empirical analysis.<sup>15</sup>

Having divested themselves of the albatross of functionalism, the economists, were now free to apply a range of economics techniques to the problem of corruption generally. Until the 1990s the Rose Ackerman school dominated “corruption theory”.

#### *A brief review of the criminological approaches to corruption- The “police” theories*

It has to be noted at this point that the global corruption discourse has generally overlooked an entire field of corruption research. There are few references in the international corruption literature to the criminological “theories” of “police” corruption. While the political scientists and the economists were staking out their territory, criminologists were applying criminological social science approaches to the particular problem of “police” corruption. This oversight is significant because the criminological approach has applicability to the broader problem of corruption.

I use the word theories in this section for want of a better term. None of the approaches described below have been developed to the extent that they could be a considered a coherent model of how corruption functions. It would be more accurate to suggest that each approach has been developed as an ad hoc response to observed police problems or scandals.

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<sup>14</sup> Van Winden F. "The Economic Theory of Political Decision Making: A survey and perspective." In Julien Van Den Broeck (Ed) *Public Choice*, Kluwer Academic Publishers, Dordrecht, 1988.

<sup>15</sup> *Ibid*: p10,

Each approach addresses an aspect of sanctionable police behaviour, however they can be broadly grouped as: theories of individual behaviour;<sup>16</sup> cultural theories; and, structural theories.

### *Individual deviance “theories” of police corruption*

Such theories propose that attributes of the individual lead them to commit deviant behaviour by succumbing to the temptations that are ever present in the policing environment. This led to the phrase the “rotten apple” in the sense that corruption was caused by a few rotten apples that were spoiling an otherwise clean barrel. This approach has generally been discredited in the wake of corruption scandals.<sup>17</sup> Unfortunately the baby has been thrown out with the bathwater, as most scholars, and police Commissions’ of Inquiry, dismiss such theories.<sup>18</sup> Whilst dismissing theories of individual behaviour they have tended to hang on to the typology formulated for the New York Knapp Commission’s inquiry into police corruption.<sup>19</sup> Knapp proposed that there were three types of police officer:

- Meat eaters – those officers that aggressively pursue corrupt opportunities;
- Grass eaters – those officers that take corrupt opportunities that come their way but don’t aggressively pursue them; and,

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<sup>16</sup> These are sometimes termed “rotten apple theories”. I will not use this term as it has become orthodoxy in the literature that the rotten apple theory has been discredited. This however is a small aspect of a collection of approaches which do have some application and should not be tainted by the rotten apple baggage.

<sup>17</sup> Thomas O’Connor, *Police Deviance & Ethics*, <http://faculty.ncwc.edu/toconnor/205/205lect11.htm> accessed 4/1/03.

<sup>18</sup> See for example O’Connor *Op Cit*; Ede, Andrew, “The Prevention of Police Corruption and Misconduct: A Criminological Analysis of Complaints Against Police”, PhD thesis submitted to Griffith University 2000. Lusher E A, Commissioner Report of the Commission to Inquire into New South Wales Police Administration,() Sydney, NSW Government Press, 1981; Trautman N, “The Corruption Continuum: How Law Enforcement Organizations Become Corrupt. (avoiding public scandal and corruption.)” *Public Management*, June 2000 v82 i6: p16; Wood J, *Royal Commission into the New South Wales Police Service, Final Report*, 1996, Vol 1: p21.

<sup>19</sup> See for example Maurice Punch who explicitly espouses a “symbolic interactionist” approach to police deviance but refers to Knapp’s typology in *Conduct Unbecoming, The social construction of police deviance and Control*, Tavistock, London, 1985: p126.

- The birds – who move to areas of the force where corruption is less likely to occur in order to avoid having to associate with corrupt police and the attendant problems.<sup>20</sup>

Such theories suggest that if you can identify those actors who possess attributes that make them vulnerable to corruption during the recruitment or training phase then you can significantly reduce corruption. Karas for example suggests that psychological profiling of potential Australian Federal Police (“AFP”) recruits is a useful tool in ensuring corrupt or potentially corrupt individuals do not enter the organization. She proposes that “rotten apple” theories are simplistic and one should draw on the insights of psychological interactionist theories. This approach suggests that human behavioural outcomes derive from the interaction between actor attributes and the situations in which they find themselves.<sup>21</sup>

I will include in this section a discussion of the “slippery slope” theory where a young police officer fresh out of the academy can be compromised by being placed in a situation where a small moral decision must be made. Once the officer has accepted this first step then larger and larger moral decisions are forced on them until they are fully fledged participants in corrupt conduct. A Commission of Inquiry into policing in the state of New South Wales in Australia (The Wood Royal Commission) described the “bleeding” of new arrivals to a squad with a small gift or gratuity.<sup>22</sup> Reiss describes the situation whereby police officers are given small gratuities by a wide range of persons in the community.<sup>23</sup>

Sherman deals with this issue extensively in his 1974 work *Police Corruption: a sociological perspective*.<sup>24</sup> He describes a “ladder” approach where the police officer accepts a gratuity as the first rung on the ladder. He rationalises his acceptance and in so

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<sup>20</sup> Knapp W. *The Knapp Commission Report on Police Corruption*, New York, George Braziller, 1972.

<sup>21</sup> Karas M, "Predicting Misconduct before hiring police" in T Prenzler and J Ransley (Eds) *Police Reform, Building Integrity*, Hawkins Press, Sydney 2002.

<sup>22</sup> Wood Royal Commission: *Op Cit* p77. This is an extremely common finding in Commissions of inquiry. See for example Pennsylvania Crime Commission. Report on Police Corruption and the quality of law enforcement in Philadelphia. In More H W, Jnr (Ed), *Critical Issues in Law Enforcement*, Cincinnati, Anderson, 1985; Knapp Commission, 1972 *Op Cit*;

<sup>23</sup> Reiss A, *Police and the Public*, Yale University Press, New Haven, 1971: p162.

<sup>24</sup> Sherman LW. (Ed) *Police Corruption – A Sociological Perspective*, New York, Anchor, 1974: p199.

doing slightly redefines himself and the standards of behavior that are acceptable. The ladder of corruption ranges from the acceptance of minor perks such as half price McDonalds, through to the protection of drug dealers and the organising of criminal acts. The officer stops at some point along the ladder and this becomes a rationalization in itself for their behaviour.<sup>25</sup>

It is my contention that individual attributes and theories of personality do provide insights that are relevant to the operation of corrupt networks, particularly in relation to goal formation, degree of motivation strength and organisational skill.

### *Cultural theories*

Cultural theories of police corruption suggest that in the policing environment a particular culture develops that tolerates or even promotes misconduct and in some cases corruption.<sup>26</sup> The dominance of this culture effectively socializes new members to accept its norms of behaviour even though they may deviate from social norms. As Ede points out, this affect has been noted by Commissions of Inquiry into police corruption and numerous studies into police attitudes to misconduct after joining the force.<sup>27</sup> Christie, Petrie and Timms found that higher standards of education and training at the police academy had only marginal affect on new recruits. The socializing influence of existing norms from more experienced officers effectively negated such training.<sup>28</sup>

Jerome Skolnick is regarded as one of the first to articulate an idea of police culture and the way this forms the police officer's "working personality."<sup>29</sup> Such theorists suggest that there are a number of factors present in the policing occupation which strongly socialize officers into the "police culture." Relevant factors to the current discussion include:

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<sup>25</sup> *Ibid*: p201.

<sup>26</sup> See Roebuck J and T Barker, *An Empirical typology of police corruption*, Springfield, CC Thomas, 1974; Skolnick J, *Justice Without Trial: Law Enforcement in a Democratic Society*, New York, MacMillan, 1974.

<sup>27</sup> In Ede, 2000, *Op Cit*: p56. Brereton D and A Ede, "The Police Code of Silence in Queensland", *Current Issues in Criminal Justice*, 8(2), 1996: pp107-129. Fitzgerald G E. *Report of a Commission of Inquiry Pursuant to Orders in Council. Commission of Inquiry into Possible Illegal Activities and Associated Police Misconduct*, 1989: p211.

<sup>28</sup> Christie G, S. Petrie, & P. Timms, 'The effect of police education, training and socialisation on Conservative attitudes', *Australian and New Zealand Journal of Criminology*, vol. 29, no. 3, 1996, p. 299.

<sup>29</sup> Skolnick J, 1974: *Op Cit*.

- Isolation from the general community;<sup>30</sup>
- The possession of a wide discretion and authority over others; and,
- Common participation in crisis like environments, which require teamwork and cooperation.

It is proposed by such theorists that these factors specific to policing lead to a number of cultural artifacts, which are conducive to corruption and police misconduct. Wood proposed in his Royal Commission Report, for example, that such a socialized police “working personality” includes:

- “a sense of mission (about police work) and an orientation towards action;
- a cynical or pessimistic perspective about the social environment;
- a conservative stance in politics and morality;
- a machismo outlook that permits sexism and glorifies the abuse of alcohol and heterosexual indulgences.”<sup>31</sup>

Fitzgerald noted that the Queensland Police Service culture led to a, “contempt for the criminal justice system, disdain for the law and rejection of its application to police, disregard of the truth, and abuse of authority.”<sup>32</sup>

Two factors identified as characteristic of police culture are of particular interest. The “code of silence” and, an unswerving loyalty to fellow officers has been widely recognized as strongly contributing to corrupt behaviour.<sup>33</sup> Wood noted in his report that, “the significance of the code of silence, which is an incontrovertible and universal product of police culture, cannot be understated.”<sup>34</sup> This aspect of police culture is nicely illustrated in evidence before the 1993 Mollen Commission into Corruption in the New York Police:

“And if they did tell on them, just say if a cop decided to tell on me, his career's ruined. He's going to be labeled as a rat. So if he's got 15 more years to go on the job, he's going to be miserable because it follows you wherever

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<sup>30</sup> Wood Royal Commission, *Op Cit*: p25.

<sup>31</sup> Wood Royal Commission, *Op Cit*: p25.

<sup>32</sup> Fitzgerald Inquiry Report, *Op Cit*: p200.

<sup>33</sup> See for example Goldstein, *Policing a free society*, Cambridge, Balinger, 1977; Reiner R, *The Politics of the Police*, (2<sup>nd</sup> Ed), London, Harvester Wheatsheaf, 1992.

<sup>34</sup> Wood Royal Commission, *Op Cit*: p26.

you go. And he could be in a precinct--he's going to have nobody to work with. And chances are if it comes down to it, they're going to let him get hurt.”<sup>35</sup>

This emphasis on solidarity is in agreement with other observations of the cultural characteristics of police.<sup>36</sup>

### *Structural “theories” of police corruption*

This approach suggests that factors in the policing environment “cause” corrupt conduct. Such factors are generally divided into the “task environment” of the police officer and the political context of the police force.

The task environment of policing is suggested by some to be so full of temptations and opportunities, and the police officer has so much discretion, that corruption is virtually impossible to control.<sup>37</sup> This is particularly the case when society has expectations that police officers will enforce the law in relation to high demand illegal activities such as prostitution, drugs and gambling. The officer is placed in a situation where the pressures to be corrupt are simply too strong. This can be further differentiated for different officers in different squads. The vice squad detective faces different temptations and opportunities than the drug squad detective. The uniformed Constable faces different pressures than the senior watchhouse Sergeant.<sup>38</sup>

An influential environmental factor is the level of control by a corrupt political apparatus. This will be a significant factor in promoting, or at least giving tacit encouragement to corruption within the police force. In addition it opens up the police force as an instrument of corrupt oppression by political forces. Sherman in particular has written extensively about the affect of the political context on different police forces

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<sup>35</sup> Quoted in Skolnick J, “Prosecuting Police Brutality Requires Penetrating The Blue Wall Of Silence.” *The American Prospect*, March 27, 2000 v11 i10 p49.

<sup>36</sup> Alpert G and R Dunham, *Policing Urban America*, Prospect Heights, Waveland, 1988: pp81-85; Hogg J R and B Hawker. “The politics of police independence,” *Legal Services Bulletin*, 8(5), 1983: pp221-224.

<sup>37</sup> Sherman L, “Police Corruption Control: Environmental context versus Organizational Policy”, in David H Bayley. (Ed), *Police and Society*, Sage publications, London, 1977: p109.

<sup>38</sup> Prenzler T. “Corruption and reform - Global trends and theoretical perspectives.” in T Prenzler and J Ransley (Eds) *Police Reform, Building Integrity*, Hawkins Press, Sydney 2002: p14.

in the United States.<sup>39</sup> Sherman noted for example that one of the primary means of control by political forces was the allocation of jobs.<sup>40</sup>

This is consistent with the findings of the Fitzgerald Inquiry which explored in detail the influence of politicians on the promotional system in the Queensland Police Service. Former National Party Minister Don Lane gave evidence to the inquiry that it was common for politicians to make representations in relation to specific police promotions.<sup>41</sup> Coaldrake notes that cabinet controlled police promotions down to the level of Senior Sergeant,<sup>42</sup> although Fitzgerald notes that in practice most promotions were accepted on recommendation of the Police Commissioner.<sup>43</sup> The Fitzgerald Inquiry generally found that the political context was an important factor in police corruption in Queensland and devoted an entire chapter to it in the report.<sup>44</sup>

The above discussion is generally about corruption in policing however the underlying theoretical approaches are, I would contend, generally applicable to all forms of corruption. They usefully apply cultural, psychological and sociological understandings of human behaviour in an interdisciplinary way that is generally absent elsewhere in the corruption literature.

### **The current approaches by the world's global institutions.**

So how does this relate to the world's global institutions? The global institutions have moved from a position of wilful neglect in understanding how corruption impacts on their core functions, to a position of almost obsession with corruption and anti corruption. It has always been obvious that corruption is a major factor affecting what these organisations do. The amount of corruption present in a country will have a direct affect on the proportion of aid money that can be used to achieve the intended outcome.

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<sup>39</sup> See for example Sherman L W. "Three models of organizational corruption in agencies of social control." *Social Problems*, 27(4), 1980: pp478-491; Sherman 1978: p34.

<sup>40</sup> Sherman, 1980, *Op Cit*: p485.

<sup>41</sup> Transcript of Evidence of Don Lane before the Fitzgerald Inquiry: p19602.

<sup>42</sup> Coaldrake P. *Working the System, Government in Queensland*, University of Queensland Press, St Lucia, 1989: p85.

<sup>43</sup> Fitzgerald Inquiry Report, *Op Cit*: p74.

<sup>44</sup> *Ibid*: p123.

Estimates by the World Bank suggest that as much as \$1 Trillion is paid in bribes each year.<sup>45</sup> One recent example unfolding in Australia is the payment of \$300 million in bribes to the regime of Saddam Hussein to receive multi billion dollar wheat contracts for the Australian Wheat Board. This was part of a massive web of corrupt payments.<sup>46</sup>

Faced with this clear and present threat to its core business, the global institutions began focusing on corruption. The way they have gone about this task is of high importance because of its impact on all countries who may be affected by these global institutions, but particularly the Less Developed Countries (LDCs).

I would suggest that some forms of corruption are of more importance to the global institutions than others. The so called “grand corruption” involving the capture of political processes by corrupt powerholding elites which leads to the misallocation of large amounts of sovereign resources, should be of more concern than low level administrative corruption.<sup>47</sup>

An analysis of the global institutions’ approach to corruption suggests that they range from strong reliance on political economy approaches to corruption, through to a multi pronged governance/institutional strengthening approach. For example Vito Tanzi is an eminent economist who has served for over 30 years with the IMF as the Director of Fiscal Affairs.<sup>48</sup> IMF literature makes it clear that anti corruption efforts within the IMF are driven from within the Fiscal Affairs department.

Tanzi proposes, for example, that higher wages for public servants may not reduce the amounts paid in corrupt payments because although it raises the “opportunity cost” of being corrupt it doesn’t lower an individual’s greed. Therefore they will raise

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<sup>45</sup> Kaufman admits there is a large margin for error in this figure which puts it in the range of \$600 billion to \$1.5 trillion. Kaufman D. “Myths and Realities of Governance and Corruption”, in *The World Economic Forum • Global Competitiveness Report 2005-2006*: p85.

<sup>46</sup> See Volcker P A, R J Goldstone, M Pieth. “Manipulation of the oil for food programme by the Iraqi regime”, *Report of the Independent Inquiry Committee into the United Nations Oil for Food Programme*, October 2005.

<sup>47</sup> Transparency International surveys identify this form of corruption as of most concern. Hodess R and Marie Wolkers, *Report on the Transparency International Global Corruption Barometer 2004*, Transparency International International Secretariat, 9 December 2004: p3.

<sup>48</sup> Biography of Vito Tanzi at the website of the Carnegie Endowment for International Peace, at [http://www.carnegieendowment.org/experts/index.cfm?fa=expert\\_view&expert\\_id=102](http://www.carnegieendowment.org/experts/index.cfm?fa=expert_view&expert_id=102), accessed 26 March 2006.



their bribe price because of this increased “opportunity” cost.<sup>49</sup> This kind of analysis directly applies neoclassical economics concepts in isolation.<sup>50</sup>

In Tanzi’s “review of theoretical arguments” he focuses exclusively on the economic functionalists such as Leff and Huntington who apply, “corruption as a corrective” to the distortion of big government. Tanzi refutes the functionalists, however it is on economic grounds using economics assumptions. The functionalists are wrong because “rent seeking” by the corrupt will divert resources from productive capacity which will have a high cost on growth.<sup>51</sup> According to Tanzi, corruption: reduces public revenue and increases public spending; distorts markets and the allocation of resources; distorts incentives; and acts as an arbitrary tax.

While it is clear that the financial and economic imperatives at the IMF have absorbed anti corruption research as a by-product,<sup>52</sup> the World Bank makes anti corruption central to its mission. The World Bank’s Governance and Anti Corruption Department generates many anti corruption programs and publications. It is currently run by Daniel Kaufman, who is the Director of Global Programs at the World Bank Institute and a Harvard trained economist.<sup>53</sup> This department focuses on an, “in depth analysis of the institutional factors behind corrupt practices and behaviour.” The emphasis of the World Bank approach is practical, with a focus on, “inclusion and coalition building” and “strengthening institutional capacity”. This practical corruption prevention approach is, however, underpinned by economic theory in its implementation.

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<sup>49</sup> Tanzi V, “Corruption around the world: Causes, consequences, scope, and cures”, *International Monetary Fund. Staff Papers*, International Monetary Fund; Washington; Dec 1998.

<sup>50</sup> Tanzi analysis of corruption is indisputably based on the Political Economy approach. See Tanzi, Vito, 1995a, “Corruption, Arm’s-Length Relationships, and Markets,” in *The Economics of Organised Crime*, ed. by Gianluca Fiorentini and Sam Peltzman (Cambridge, Massachusetts: Cambridge University Press), pp. 161–180; Tanzi V, 1995b, “Government Role and the Efficiency of Policy Instruments,” IMF Working Paper 95/100 (Washington: International Monetary Fund). Also published in *Public Finance in a Changing World*, ed. by Peter Birch Sørensen (New York: Macmillan), pp. 51–69; Tanzi V, 1998a, “Corruption and the Budget: Problems and Solutions,” in *Economics of Corruption*, ed. by Arvind K. Jain (Boston, Massachusetts: Kluwer Academic Publishers), pp. 111–28; Tanzi V and Hamid Davoodi, 1997, “Corruption, Public Investment, and Growth,” IMF Working Paper 97/139 (Washington: International Monetary Fund); Tanzi, V and Ludger Schuknecht, 1997a, “Reconsidering the Fiscal Role of Government: The International Perspective,” *American Economic Review, Papers and Proceedings*, Vol. 87 (May), pp. 164–8.

<sup>51</sup> Tanzi, 1978, *Op cit.*

<sup>52</sup> See for example a recent paper by Ter-Minassian T, “Fiscal Adjustment for Stability and Growth” *International Monetary Fund, Prepared by the Fiscal Affairs Department*, January 27, 2006.

<sup>53</sup> [www.worldbank.org/wbsite/external/aboutus](http://www.worldbank.org/wbsite/external/aboutus) accessed 28 March 2006

According to an overview of the World Bank's Governance and Anti Corruption Program, titled "New Empirical Tools for Anti Corruption and Institutional Reform" they use, "empirical diagnostic tools" involving surveys to measure the costs of corruption in order to shift policy debate to, "institutions rather than individuals". Data is also collected for "cross country institutional indicators, budgetary expenditure flows and procurement costs of generic products". The overview notes that key challenges include the methodological rigour in the diagnosis of the problem of corruption and the way in which data is acquired and used by the donor community and the recipient nations.<sup>54</sup>

While I have no objection to the World Bank's focus on institutions in its corruption prevention programs, the data problem simply cannot be cured by applying "empirical data" collection methods. Real data about actual corrupt activity can only be gained through thorough resource intensive investigation. After all, this is about highly sanctionable behaviour that nets the perpetrators massive amounts of illegal money. The economics approach provides reams of "empirical data" about financial markets, governance and performance. The emphasis is on perceptions of corrupt activity by economic actors. It does not however tell you what is actually happening and who is actually doing it. This data is useful but only to a limited extent.

The Organisation for Economic Co-operation and Development (OECD), Transparency International (TI) and the United Nations take a similar approach to the World Bank and the IMF. However their approach is even more overtly practical with little reference at all to any corruption theory or any underlying theoretical approach. Their anti corruption programs focus on the reform of institutions, improvement of governance and the measurement of anti corruption progress.

TI, for example, provides many tools and reference sources based on the anti corruption methodology first outlined in the TI Source book.<sup>55</sup> This involves an assessment methodology to quantify the nature and effectiveness of a country's National Integrity System (NIS). Once this is done then the country can take action to create institutions that fill those gaps. The TI sourcebook does not contain much theory. The closest it

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<sup>54</sup> NA, World Bank Overview, "New Empirical tools for anti corruption and Institutional Reform", at <http://www.worldbank.org/wbi/governance/about.html#whoarewe>, accessed 26 March 2006.

<sup>55</sup> Pope J. Transparency International Sourcebook 2000, "Confronting Corruption: the elements of a National Integrity System at [www.transparency.org/publications/sourcebook](http://www.transparency.org/publications/sourcebook), accessed 26 March 2006.

comes is to suggest that “corruption can take place where there is a combination of opportunity and inclination.”<sup>56</sup> The TI approach does not make any assumptions based on neoclassical economics. It explicitly takes the practical approach first pioneered by the Hong Kong Independent Commission Against Corruption of: identifying actual corruption through investigation; the improvement of probity and governance in the public sector through corruption prevention strategies; and, community education to reduce tolerance of corruption.<sup>57</sup>

I have discussed only a sample of the global institutions involved in anti corruption projects. Hutchinson provides an in depth review of the entire gamut of such agencies, including country based institutions such as the United States Agency for International Development (USAID) and the United Kingdom Department for International Development (DFID). Her analysis clearly demonstrates the general preference for neoclassical economics approaches by a range of global institutions.<sup>58</sup>

In terms of corruption theory, global institutions range from having none such as TI and the OECD, to a lot, as seen by the hard line economists at the IMF. In terms of practice there is strong emphasis on governance and institution building. In terms of research, the primary emphasis seems to be on “measurement” of corruption. Thus we have TI’s corruption perception index, the world bank’s 350 governance indicators,<sup>59</sup> and the IMF’s numerous socio economic indicators to indicate financial health.<sup>60</sup>

### *Effectiveness of global anti corruption strategies*

The global institutions’ corruption prevention strategies are generally effective in the developed economies of the OECD. They have however had limited success in reducing corruption in LDCs despite a massive anti corruption effort.<sup>61</sup>

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<sup>56</sup> *Ibid*: pxix.

<sup>57</sup> *Ibid*

<sup>58</sup> The preference by the agencies such as USAID and the Asian Development Bank (ADB) for market liberalisation and privatisation are good examples. See Hutchinson F, “Review of donor agency approaches to anticorruption”, in Policy and Governance Discussion Paper 05-3 Asia Pacific School of Economics and Government. Australian National University, 2005: pp8-10.

<sup>59</sup> Kaufmann D. 2006, *Op Cit*.

<sup>60</sup> Tanzi V, 1997a, *Op Cit*.

<sup>61</sup> According to the Utstein anti corruption resource agency, its member country agencies are involved in the following projects: UK (202); Germany (92); Norway (78); Netherlands (36); and, Sweden (32) for a

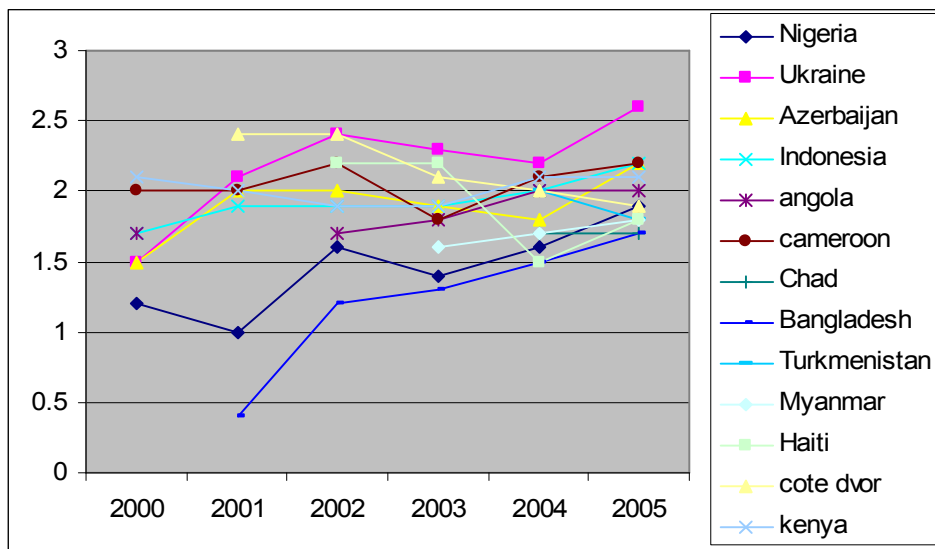


Figure 1 – Corruption perception index scores 2000-2005<sup>62</sup>

Figure 1 shows the corruption perception index scores for some of the lowest scoring countries over the period 2000 to 2005. While there has been marginal improvement for some the scores seem to be clustering around the 1.5 to 2.5 mark despite massive investment in corruption prevention programs by global institutions. This contrasts strongly with developed countries' scores which generally exceed a TI score of 6 with the highest being 9.7.<sup>63</sup>

Indonesia's score went from 1.7 to 2.2 during this period despite being the recipient of massive anti corruption investment.<sup>64</sup> Kenya's score has stayed persistently

total of 440 across the globe. Utstein anti corruption resource centre, "Anti Corruption Projects by country and region", at <http://www.u4.no/projects/agency.cfm?agency=2>, accessed 7 April 2006.

<sup>62</sup> Based on data from the Transparency International Corruption Perception Index at [www.ti.org](http://www.ti.org), accessed 1 April 2006.

<sup>63</sup> Iceland had the least corrupt score in 2005 of 9.7. The Corruption Perception Index uses a 10 point scale with 0 most corrupt and 10 least corrupt. *Ibid*.

<sup>64</sup> Utstein member country agencies were involved in 14 anti corruption projects worth approximately 46,000,000 euros. Utstein anti corruption resource centre, "Anti Corruption Projects by country and region – East Asia and the Pacific", <http://www.u4.no/projects/region.cfm?georegion=4&geo=Indonesia>, accessed 7 April 2006. Likewise the World Bank has been investing heavily in anti corruption projects in Indonesia. World Bank, "Fighting Corruption in World Bank Financed Projects – Indonesia", <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIA/EXTN/0,contentMDK:20173156~pagePK:141137~piPK:141127~theSitePK:226309,00.html>, accessed 7 April 2006.

around 2.1 despite similar investment in anti corruption projects.<sup>65</sup> According to the TI Global Corruption Barometer survey conducted in 2004 very few of the 64 countries expected corruption levels to fall significantly. Significant numbers of respondents to the surveys expected corruption to increase “a lot” in the next three years. Overall most LDCs in the survey expected corruption to increase by “a little” or “a lot” over the next three years.<sup>66</sup>

There has been a reduction in perceived corruption in some LDCs, however it is difficult to assess whether this has occurred due to changing local political factors such as a change in government, or anti corruption programs. My point here is that there does not seem to be any obvious evidence that the anti corruption projects in LDCs are actually a causal factor in the reduction of corruption.

My fundamental problem with the governance/institution building approach is that corrupt networks are extra-institutional structures. Reforming institutions is a bit like building shiny new buildings that look great from the outside without actually changing the actions and behaviours of the inhabitants. Formal institutions have to be understood within their social context.

The net result of all this practical action without theoretical support is that crucial research questions about how corruption actually works have been missed. Questions such as:

- How do corrupt networks function (as opposed to simple dyadic “bribery” transactions)?
- Are there any common factors that facilitate the function of corrupt networks?
- What is the precise relationship between power, influence and corrupt activity?
- Why is corruption so resilient even in developed economies?

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<sup>65</sup> Utstein member country agencies were involved in 23 anti corruption projects worth approximately 56,000,000 euros. Utstein anti corruption resource centre, “Anti Corruption Projects by country and region – East Asia and the Pacific”, <http://www.u4.no/projects/region.cfm?georegion=4&geo=Kenya>, accessed 7 April 2006. See also World Bank, “Kenya and the World Bank Fact Sheet”, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/KENYAEXTN/0,,contentMDK:20808748~menuPK:449448~pagePK:141137~piPK:141127~theSitePK:356509,00.html>, accessed 7 April 2006.

<sup>66</sup> Transparency International, “Report on the Transparency International Global Corruption Barometer 2004”, *Transparency International*, International Secretariat, 9 December 2004: p21.

Attempting institution building without answering, or at least having some theoretical clues in relation to these questions will certainly reduce the effectiveness of the practical corruption prevention measures.

I would argue that the most distinctive feature of corruption is its social nature. There are many behaviours that are labelled as “corrupt” such as public service theft, fraud, etc. It is my contention that without a social component, these behaviours should be understood as criminological problems and treated as such. Such behaviour yields to normal fraud prevention and police investigation measures. Once detected, the isolated offender can be removed in the normal way.

Corruption on the other hand, quite simply does not yield to the normal police investigation approach. It does not, because the crime is in fact an agreement between people. The payment can just be “the repayment of a loan”. The corrupt act can just be incompetence. The fundamental evidentiary problem occurs because of the sociological and therefore highly complex and interpretative nature of the agreement. Corruption therefore is fundamentally a social process between people. This understanding removes a great deal of corruption research from the domain of the economists, so where should it sit?

### **A social networks understanding of corruption**

I would argue that corruption should be understood in sociological terms, which builds on work by Jean Cartier Bresson and Donatella Della Porta. Cartier Bresson approaches the issue from a macro political stance but recognises that the neoclassical economist’s preference for a strict pluralist understanding of the political economy has led to a simplification of corrupt exchanges. He suggests that we have to recognise that modern political systems are neo corporatist in nature and therefore corruption is not typically characterised by, “limited and non organised exchanges of impersonal agents.”<sup>67</sup> Corruption is in fact characterised by, “trust, reciprocity and long term relationships

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<sup>67</sup> Cartier Bresson J "Corruption Networks, transaction security and illegal social exchange." In Paul Heywood (Ed) *Political Corruption*, Blackwell Publishers, Oxford 1999: p49.

which are sustained by community like structures.” Market relationships are impersonal and unstable and therefore not suited to corruption. Corrupt relationships are, of their nature likely to accrete within a network formation as opposed to the market or hierarchical formations supposed by economists.<sup>68</sup>

He formulates a model of corrupt networks as including: “informal social exchanges”; corruption as an extension of “social legal networks”; and, the mobilization of, “multiple resources such as financial interests....family, friends.” Cartier Bresson proposes that, “the enlarged reproduction of corrupt exchanges can be explained by a complex network of interpersonal relationships and associations.”<sup>69</sup>

Cartier Bresson explicitly refers to the work of Donatella Della Porta and Alberto Vannucci who propose a similar model of corrupt exchange within extensive social networks. They are, however, in the fortunate position of having access to extensive empirical data to support their thesis based their study of the Italian “clean hands” scandal.

Della Porta recognises that her approach is a response to an inability to reconcile the individual and structural aspects of the corruption problem.<sup>70</sup> She suggests that the only way forward is to integrate economic and sociological perspectives. She does so by creating what she calls a market of “corrupt exchanges.”<sup>71</sup>

Della Porta’s approach centres on the illegal exchange of resources using the principal agent model as a general framework to illustrate the direction of the exchanges.<sup>72</sup> She is particularly interested in complex networks of exchange as her empirical evidence reveals the widespread existence of such networks in Italy. She widens the model of the corrupt network to include the many and various exchanges that occur, not only between the recipient of the publicly held resource and the public official, but the overall system which must be in place for such illicit activity to take place. To protect themselves within the system, corrupt actors must exchange a range of favours

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<sup>68</sup> *Ibid*: p52.

<sup>69</sup> *Ibid*: p53.

<sup>70</sup> Della Porta, D and Donaldson, John, "Actors in Corruption: Business Politicians in Italy." *International Social Science Journal*. 48 (3). 1996.September: p349.

<sup>71</sup> Della Porta, 1999: p20.

<sup>72</sup> The Principal/Agent dichotomy is a construction that comes directly from economic theory.

with a number of different actors or groups.<sup>73</sup> Her analysis in this case is applied to political corruption in Italy, however I would suggest that such an approach has application for corruption in the police force or at any level of the bureaucracy.

Della Porta explicitly outlines the main problem of corruption research by stating that before you can jump to conclusions about the causes and consequences of corruption you need “a clear picture of the characteristics of the phenomenon.” I strongly support this approach. In the words of Della Porta, you have to know the “how” before you can know the “why.” I would suggest that in the case of social phenomena such as corruption, the “how” is intimately linked to the “why.”<sup>74</sup>

Della Porta refers to one theoretical view of corruption as the “sociological” approach.<sup>75</sup> What she means by this is a reference to corruption as being determined by differences in “cultural traditions and values”. She ties this into an individual’s “moral cost” when making a decision to be corrupt. This “moral cost”, which I prefer to term moral inhibition, is undoubtedly a factor in individual decision making. The question is how this factor fits into the complex puzzle that is corrupt behaviour?

While Della Porta is explicitly using aspects of the political economy approach, corruption in this view is clearly a social process. In particular when dealing with corrupt networks of actors I believe there is much to gain by viewing corrupt networks as social networks of exchange. I would argue that viewing corruption in this way is legitimate and has important theoretical implications. If corrupt networks can legitimately be understood as social network processes then theoretical approaches such as Social Network Analysis (“SNA”), Social Exchange Theory and Power Dependence Theory become applicable. Like all theories applied to new areas, they cannot just be overlaid as a template. Such theoretical approaches need to be applied with caution and one eye focused on the specific nature of the social behaviour at hand. I will focus here on Social Network Analysis.

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<sup>73</sup> *Ibid*: p22.

<sup>74</sup> Della Porta D & A Vannucci. *Corrupt Exchanges. Actors, Resources and Mechanisms of Political Corruption*. Aldine De Gruyter, New York, 1999: p24.

<sup>75</sup> Della Porta 1999: p18.



## *Social Network Analysis (SNA)*

SNA is a broad intellectual approach but is fundamentally about the relations between actors in social networks rather than their attributes. It assumes that we are by nature social and our actions only have meaning in a social context. According to Wasserman and Faust, “relations defined by linkages among units” are a fundamental part of such theories.<sup>76</sup> Rather than concentrating on regularities in personal characteristics, SNA examines the “regularities in the patterning of relationships among social actors.”<sup>77</sup>

According to Fischer a social network:

“(…) is a specified set of links among social actors. Social actors can be defined as individuals, roles (for example, presidents of large corporations) , or groups ( for example, terrorist gangs) , depending on the research question.....A link is the total set of relations between any two actors- that is, the ways in which they are interdependent. Since everyone is ultimately related, directly or indirectly, to everyone else, we must "specify" which links we are interested in for any given network analysis.”<sup>78</sup>

Other characteristics of the SNA approach include:

- Actors and their actions are interdependent, not independent of each other;
- Relational ties allow the flow of resources;
- Network models that focus on individuals see the structural environment in terms of constraints on and opportunities for action;
- SNA models view political or institutional structures as social and involving lasting patterns of relations.<sup>79</sup>

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<sup>76</sup> Wasserman, Stanley, Katherine Faust. *Social network analysis: methods and applications*. Cambridge; New York : Cambridge University Press, 1994: p4.

<sup>77</sup> Webster C, *Social Network Analysis*, University of New South Wales at <http://ssda.anu.edu.au/ACSPRI/COURSES/SUMMER/SP2000/sna.html>. Accessed 1 June 2001.

<sup>78</sup> Fischer C S, "Network Analysis and Urban Studies." in C S Fischer (Ed) *Networks and Places. Social Relations in the Urban Setting*. The Free Press, New York, 1977: p33.

<sup>79</sup> Wasserman *et al*, 1993, *Op Cit*: p4.

The key point of SNA is that particular social networks are defined by particular social relations. For example, an SNA theorist may examine a set of actors in a particular workplace who all have an “advice giving relation” and therefore form part of an “advice giving network”. This network could be quite different from actors who possess a “friendship relation” and form part of a “friendship network”.<sup>80</sup> I would argue that corrupt networks are a particular form of social network with the actors having a distinct “corrupt relation”.

Social network analysis has been applied to many areas of the social sciences but to date I have not seen it applied to the area of corrupt networks. It has however been applied to a number of related areas in the social sciences which I believe to be important to corruption research. They include social exchange and power, elite decision making, and social influence.<sup>81</sup> It is obvious from this discussion that social network analysis is using a fundamentally different unit of analysis.

### *Social connections and social interactions*

According to social network analysis, the idea of corrupt social networks needs to be placed within the wider context of all interconnecting social networks.<sup>82</sup> Every actor has links with other actors in networks, which form complex sub networks. Some have a few links and some have many. Some actors have high quality connections through which high quality communications flow. This system is dynamic with connections constantly changing. These social connections are modified by the experiences of each individual actor. Social connections require energy investment to be maintained. If individual actors do not invest in each connection then eventually they will atrophy.<sup>83</sup> Actors in social networks are both passive and active. They grow connections according

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<sup>80</sup> Knoke D, James H. Kuklinski. *Network Analysis*, Beverly Hills, California, Sage Publications, 1982: p13.

<sup>81</sup> Wasserman 1993: p6.

<sup>82</sup> C S Fischer, "Networks." in C S Fischer (Ed) *Networks and Places. Social Relations in the Urban Setting*. The Free Press, New York, 1977a: p17.

<sup>83</sup> I am referring here to the importance of maintenance of interaction and the motivation to behave appropriately using social skills. Argyle M. *The Psychology of Interpersonal Behaviour*. Penguin, London, 1988: pp52-56.

to their own needs, desires, environmental and social influences. They respond to the connections grown toward them in a similar manner.

Typically actors possess numerous relations of a different nature with a wide range of others. Some relations overlap with others and some relations are mutually exclusive. Everywhere they connect with other actors thus increasing the complexity of their relationships and their place within networks.<sup>84</sup> It follows that members of corrupt networks also inhabit other interlinked and quite separate social networks.

If Social Network Analysis does have theoretical application to corrupt conduct then this provides corruption research with a wealth of new tools and concepts which appear to have been overlooked such as: centrality; directional relations; digraphs; matrices; reachability; degrees of closeness; social groups and subgroups; cliques; structural equivalence; strong and weak ties; structural holes in networks; and, network positions and roles.<sup>85</sup>

There is one particular aspect to social behaviour which is crucial to understanding corruption: the role of power. The role of power has made an appearance in corruption research but has rarely transcended the “power corrupts” level of analysis.<sup>86</sup> It is my contention that the operation of power and influence are vital to understanding the operation of corruption and corrupt networks. In the context of modern anti corruption, changing and improving institutions will not be effective if corrupt powerholders and networks of influence control the operation of those institutions.

### *The role of power and powerholders*

Power is central to our understanding of corruption and the way corrupt networks function, not because power corrupts, as Lord Acton so famously put it, but because power is in evidence in every aspect of corrupt transactions. Power is a central part of: social relations; individual goal achievement in the social context; and, the operation of

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<sup>84</sup> *Ibid*: p160.

<sup>85</sup> This is just a small sample of highly developed theoretical approach. See Wasserman, S and Katherine Faust. 1994, *Op Cit*.

<sup>86</sup> Notable exceptions include Rogow A.A. Lasswell H D. *Power corruption and rectitude*, Englewood Cliffs, N.J. : Prentice-Hall, 1963; and C J Friedrich. *The Pathology of Politics. Violence, Betrayal, Corruption, Secrecy and Propaganda*. Harper and Row, New York, 1972.

power in organizations. There is also a clear and real difference between power and authority even though they are often confused.

I would argue that the seeking and maintaining of power, the suborning of authority into power and the control of organizational power is central to the operation of corrupt networks. I don't intend to canvas the entire discourse of power theory. It will be helpful to examine one "theory" of power known as Power Dependence Theory.

### *Power dependence theory*

Power dependence theory is derived from Social Exchange Theory of human action. This theory began as a social psychological construct with the works of Georg Simmel who proposed, "All contacts among men rest on the schema of giving and returning the equivalence."<sup>87</sup> It was Richard Emerson however, who pioneered the idea that human relations should not be seen as isolated events but as part of a continuing pattern of relations. He proposes that exchange relations, "focuses attention on the relatively enduring interaction between specified actors with behaviour variable both in kind and in magnitude across the lifetime of the relations." He made the connection that the enduring social relations that actors have are in fact power relations linked to the relative dependence of each actor on resources controlled by the other.<sup>88</sup>

Emerson was of the view that most exchange relations theorists were locked in dyadic exchanges. His view of social exchange and power dependence was an attempt to understand exchange in larger systems than the dyad. He was interested in macro level exchanges through the study of exchange network structures.<sup>89</sup> He did this through first conceptualizing exchange at an individual level and then incorporating such exchanges at the social structural level. Emerson's conception of individual exchange relations noted that the outcome was a function of whether an opportunity exists and the degree of "satiation/deprivation" in relation to a resource in that context. In addition exchange

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<sup>87</sup> Simmel G. *The Sociology of George Simmel*, translated and edited by K H Wolff New York, Free Press, 1950: p387.

<sup>88</sup> Emerson R, "Social Exchange." In J Berger, M Zelditch and B Anderson (Eds), *Sociological theories in progress*, Vol II, Boston, Mifflin, 1972.

<sup>89</sup> *Ibid.*

relations are a function of whether desired resources are unavailable from any other source.<sup>90</sup>

Emerson defined goals in the broadest possible sense and noted that power would not be evident in every interaction but only when a demand is made on one of the actors in the relationship. Despite no demand having been made the power exists in the relationship as a “potential”.<sup>91</sup> Emerson’s conception of power is clearly linked to the control and domination of scarce resources.

### *Power and resources*

Emerson’s conception of power in social relations leads us to focus on the relations between actors and their relative resources. If actors control resources that others want and cannot get elsewhere then dependence will be high. Resources can be interpreted very widely as anything that can be used to assist goal achievement.

Resources can be material or non material. Gathering resources is the way an actor gathers power which can then be used to promote their interests.<sup>92</sup>

There is one more aspect of power that needs to be addressed. Despite having constructed a social relations view of power it still has to be recognized that individual goal achievement and the strength of motivation is an important issue in power relations and therefore in corrupt transactions. Emerson’s analysis doesn’t provide any assistance as to why actor’s become dependent on the resources of others. This is an issue of relevance and we need to examine social psychological formulations of power.

Kipnis proposes that, "power motivations arise when an individual experiences an aroused need state that can only be satisfied by inducing appropriate behaviours in others." There is little incompatibility between this statement with Emerson’s conception of power. The difference is that Kipnis suggests that individuals actually enter “an

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<sup>90</sup> Cook K S "Emerson's Contributions to the social exchange theory" in Cook K. (Ed) *Social Exchange Theory*. Sage, London, 1987: p214.

<sup>91</sup> Emerson 1970, *Op Cit*: p46.

<sup>92</sup> Defining power, potential power and influence is surprisingly controversial. For discussion of this debate see Martin R. "The concept of power. A critical defense" , in John Scott (ed) *Power. Critical Concepts*. Routledge, London, 1994: pp88-91; Clegg S. *The theory of Power and Organisation*. Routledge and Kegan Paul, London, 1979: p41-49; Molm L D. "Linking Power Structure and Power Use." in Cook K. (Ed) *Social Exchange Theory*. Sage, London, 1987: p101.

aroused need state”.<sup>93</sup> This “needs state” is not simply based on material desire. The power motivation state is both a means and an end. Actors desire the achievement of a particular goal but also gain psychic satisfaction from the manipulation of others and control of outcomes.<sup>94</sup>

### **Key insights of the social networks approach**

Having examined the importance of a social networks understanding of corruption and its links to power it is now time ask whether this is useful to global anti corruption research. In this section I will examine some insights that emerge from the social networks approach. They are based on my own research, or are logically derived from the overall fusion of theoretical approaches described in this paper. They are not empirically proven but point anti corruption research in the direction of sociological, social networks approaches.

*Insight 1 – The connections within Corrupt Networks do not degrade over time.*

The social relation of corruption is extremely strong. This relation is based on several layers of shared interest but particularly the fact of: participation in a corrupt network; the psychic value this gives the participants in terms of social identity; the mutual need to avoid sanction; the development of loyalty in an atmosphere of illegality; and, the cultivation of trust as essential to network operation.

In addition, pre existing shared interest can be a predictor of whether actors will participate in corrupt activity. This shared interest can have many different manifestations ranging from belonging to a group with shared interests such as the Police Force, a secret society, a religious group or even a political party. The likelihood that an actor will become part of a corrupt network is proportional to the mutual strength of the pre existing shared interest and whether and it’s characteristics include tolerance or

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<sup>93</sup> Kipnis D, "The Powerholder", in Tedeschi, J.T. (Ed) *Perspectives on social power* Chicago, Aldine, 1974: p84.

<sup>94</sup> *Ibid*: p85.

encouragement of sanctionable behaviour, secrecy, and extreme loyalty. This could be one explanation why corrupt networks are extremely difficult to eradicate. Corrupt networks remain in place while the actors remain in place, regardless of the actual level of corrupt activity. Societies or institutions where such pre-existing shared interests are strong are vulnerable to corrupt networks.

This analysis also suggests that corruption prevention strategies that do not include the removal of key corrupt actors are doomed to failure. Corrupt activity that reduces in frequency to respond to external stress such as the implementation of corruption prevention measures, can re-emerge just as strongly as soon the threat is reduced.

Global institutions must focus on complete removal of corrupt local elites from access to: publicly owned resources; public sector “authority”, and, influence networks.

### *Insight 2 - Corrupt networks are dynamic and flexible structures*

Corrupt networks need to be understood as network structures that process information and make decisions within the constraints of the environment in which they operate. Such networks can operate effectively in such environments because a very large amount of the information relevant to their operation, and in particular needed to build trust, is already contained within the connections themselves.

Their flexibility means that when they encounter stress in their operational environment they can change state from high activity to low activity whilst retaining connections. When the stress is removed then corrupt activity can increase very quickly. This flexibility and adaptability means that corrupt networks “live” for a long time. It is not particularly useful to find when a network “started”. Corrupt networks usually started some time in the distant past, having changed its shape and participants many times.

This also means that corrupt networks can grow in directions that gather power for the network. The network can actually evolve deliberately to capture institutions that can threaten the network or assist the network in its operation. The network can surround and eject “honest” organisational actors, while inserting network actors in key positions.

Therefore the apparently legitimate control of organisational authority is a key network resource.

The vast majority of actions or interactions conducted by corrupt network members would not be construed as corrupt because they involve the (mis)use of organisational authority or social behaviour or action that is not sanctionable in isolation. It is only when the action or interactions are understood within the full mosaic of the corrupt network that its importance and role becomes apparent.

This insight also helps to explain the resilience of corrupt networks. The adaptability of networks means that new institutions and measures for the improvement of governance can be captured and redirected to serve the network.

*Insight 3 - That an identifiable corrupt network will be a subset of a larger Adjacent Influence Network whose activities will not be readily identifiable as corrupt but will support the operations of the corrupt network.*

It is axiomatic in all social systems that “networking” is a legitimate and indeed promoted mode of career success. Within the institutional setting of most societies this legitimate “networking” represents a normal mode of operation and a large amount of business and political work is conducted in this way. Thus informal influence networks operate across the major institutions of society. These informal influence networks intersect with actual corrupt networks and provide those corrupt networks with important resources.

One example in Australia was the corrupt network of police operating in the state of Queensland until 1987. The evidence from the Commission of Inquiry<sup>95</sup> that exposed this corrupt network is that key corrupt network actors had important and valuable links to political institutions, the judiciary and the media. Analysis of the interactions of key corrupt actors showed that they had more interactions and connections with the Adjacent Influence Network than they did within the police corrupt network. This corrupt network operated for 11 years uninterrupted and was finally brought undone by a Commission of

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<sup>95</sup> Fitzgerald G E. *Report of a Commission of Inquiry Pursuant to Orders in Council*. Commission of Inquiry into Possible Illegal Activities and Associated Police Misconduct. Brisbane, 1989.



Inquiry that was allowed to occur primarily through a number of historical accidents. This approach suggests that it is important to eradicate particular corrupt network positions that link the corrupt network with the Adjacent Influence Network.

## **Conclusion**

The social networks approach provides serious and useful theoretical tools and research direction which may be of assistance in corruption research. There is much to be gained by examining and researching the operation of corruption in terms of social networks, if for no other reason than it begins to provide some insight into the operation of corrupt networks. Rose Ackerman admitted that her work was limited to an understanding of dyadic corrupt interactions.<sup>96</sup> For international global institutions, dyadic bribery is of very low level significance compared to the scale and effect of the operation of corrupt networks.

The precise relationship between power, influence and corrupt activity is extremely problematic for global institutions. To implement their programs and conduct their core business, they have to interact and indeed have good relations with key powerholders in the nations in which they work. Some of those same powerholders are likely to be linked to, if not implicated in significant corrupt activity. To concentrate on this sensitive issue will obviously affect this relationship. This is a somewhat intractable problem, however, this makes it no less important to global institutions. I would suggest that research to try and find an answer to this problem would greatly assist these global institutions in their core business.

Failure to understand these issues does however explain why corruption is so resilient in these countries. If corrupt networks of powerholders within a country, control existing institutions of governance, then conducting institutional strengthening projects which can be enveloped and controlled by these same corrupt networks, will be of limited effectiveness. For example a key plank of any anti corruption strategy in an LDC is the creation of an Anti Corruption Commission. It is a relatively simple matter for a well

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<sup>96</sup> Rose Ackerman S, 1867, *Op cit*: p5.

connected corrupt network to use political influence to reduce the effectiveness of such a commission to a very low level. They can ensure a person “friendly” to the network is appointed Commissioner. They can be a member of the Adjacent Influence Network and it will have the same effect. The corrupt network can also affect resourcing, the terms of reference, the legal framework, and the powers of Commission officers.

For example, in the Australian state of Queensland a Police Complaints Tribunal (PCT) was set up in response to allegations of corruption in the early 1980s. The corrupt network ensured that a Judge who was a member of the Adjacent Influence Network was appointed. The PCT focused on low level misconduct while the corrupt network flourished.

I am not suggesting that the institutional/governance/probity improvement approach of the global institutions is wrong. In fact, in the absence of a coherent theoretical base it is perceptive and useful. Nor am I suggesting that the Political Economy approach to corruption is wrong. It provides some important concepts which can and should be adapted in general corruption research. Its role in quantifying the effects of corruption in particular has been vital.

I am suggesting that fundamentally corruption is a social process and therefore several interdisciplinary theoretical approaches are required including: political economy, social exchange, power dependence, social networks analysis, theories of personality and motivation; criminological approaches to corruption; and others to be established in the future.

So while I support the current approach in general, it is time to broaden its theoretical base so that anti corruption strategies can become more relevant and effective against some of the more intractable problems LDCs face, while evolving as global society evolves.

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