

CRAWFORD SCHOOL
OF ECONOMICS AND GOVERNMENT

Corruption and Anti-Corruption

Richard Mulgan
Satish Chand
Peter Larmour

www.crawford.anu.edu.au

ANU COLLEGE OF ASIA & THE PACIFIC

POLICY BRIEFS

POLICY BRIEFS

Corruption and Anti-Corruption

Richard Mulgan, Satish Chand & Peter Larmour

Policy Brief 2

Crawford School of Economics and Government

POLICY BRIEFS

Contents

Democracy and political corruption: idealism versus realism	
Richard Mulgan	1
Are free trips and payments to politicians bribes?	
Satish Chand	4
Diagnosing the disease of corruption: what different disciplines suggest about curing corruption	
Peter Larmour	7

About the Policy Briefs

This year the Crawford School of Economics and Government established an exciting series of *Policy Briefs* that provide three opinion pieces by researchers on a particular theme or topic. These briefs are designed to provide introductions into key public policy areas that are of importance to Australia and its neighbours in the Asia and Pacific. The aim is to stimulate discussion and expand the perspectives available to the policy community.

Our first *Policy Brief* was on fishing futures. This brief is on the theme of corruption and anti-corruption—a timely topic given the recent headlines over the AWB payments in Iraq. It provides three perspectives: a diagnosis of the causes and cures for corruption, an economic analysis of corruption and the links between democracy and corruption.

R. Quentin Grafton
Research Director

Corruption and Anti-Corruption

Democracy and political corruption: idealism versus realism

Richard Mulgan

If corruption is the disease, is democracy part of the cure or a further contributing factor?¹ On the one hand, many Western governments and their advisers look on democracy as an antidote to corruption. Democracy is linked regularly with ‘freedom’ as the basis of good government and as the political means of delivering security and prosperity to ordinary citizens. The ‘good governance’ agendas advocated by organisations such as the World Bank and the Australian government’s aid agency, AusAID, include public participation and accountable government, a stance supported by the international NGO community.² The strong sunlight of democratic debate and dialogue is seen as the surest means of reducing corruption.

On the other hand, evidence from recently established, transitional democracies suggests that the move to more openly contested political systems, particularly when associated with rapid economic liberalisation, might encourage an upsurge rather than a decrease in political corruption. Without robust mechanisms of legal accountability, which have had little chance to develop under authoritarian regimes and other illegitimate inducements, elected leaders and their governments are naturally prone to accepting bribes. The introduction of electoral competition merely adds one more motive—the need to finance successful electoral campaigns—to the venality of those who control the levers of power. Not surprisingly, some of the harder-headed international donors, such as the International Monetary Fund, emphasise the importance of strong legal institutions for good governance and downplay the role of specifically democratic elements such as elections. The international corporate sector displays the same priorities, consistently listing the undemocratic city-state of Singapore among the least corrupt countries in which to do business.³

The debate about democracy and corruption involves fundamental issues of the nature of corruption and, indeed, the nature of democracy itself. The democratic tradition has long been recognised

as Janus-faced: in part cynical and realist, grounded in the need to control the natural self-interest of human beings (‘the worst form of government, except for all the others’); in part optimistic and idealist, pointing a way towards more collectively responsible and autonomous communities. The concept of political corruption has a similarly double-sided nature: both realist and idealist.

All conceptions of corruption agree that it involves the improper or illegitimate pursuit of self-interest or sectional advantage.⁴ The key issue is what makes the pursuit of self-interest improper and therefore corrupt. At what point does concern for the interests of oneself or one’s own group illegitimately impinge on the public interest? The more realistic perspective assumes that all politics is fundamentally motivated by personal ambition or sectional advantage. Indeed, the pursuit of self-interest and sectional advantage, within limits, is beneficial and contributes to the greater good of society. Vote-seeking politicians, through a process of political competition and negotiation, broker an outcome that aggregates a range of various social and economic interests. Realist theorists of democracy⁵ explicitly compared the competition for votes with market competition for the consumer’s dollar. As in a market exchange, provided the market is properly regulated, an invisible hand can translate the self-interested actions of individuals and organisations into an outcome that benefits the community as a whole.

From this perspective, political corruption involves self-interested actions that breach the rules of political competition. The gerrymandering of electoral boundaries, the bribing of officials to secure a contract, the covert donation of campaign contributions in return for tariff protection—all are cases that are branded as corrupt and illegal because they lead to unfair political competition. Deciding what actions are to count as corrupt involves drawing a line within the range of selfish political activities

Corruption and Anti-Corruption

between those that will count as legitimate instances of fair political competition and those that overstep the mark and need to be outlawed. To use a sporting analogy, corruption, in the realist conception, is like foul or dirty play in a rough contact sport, such as boxing or rugby. Opponents try to dominate each other physically within the rules of fair play set by the sport's ruling body. Violence itself is not illegitimate, only violence that is against the rules.

The realist conception is shared by many active participants in democratic politics, not only politicians, party activists and lobbyists, who are professionally engaged in competing for political advantage, but by many public officials who work closely with politicians and by political commentators who report on politics for the wider public.

Realism, however, is not the only theoretical lens through which democratic politics can be viewed. An alternative, idealist approach assumes that politics should be focused on the common good or public interest, which is altogether separate from, and often in conflict with, personal or sectional interests. From an idealist perspective, political actors are expected to transcend their own personal and local concerns and concentrate on what is best for everyone. Motives of individual ambition and advancement are not excluded but are always to be harnessed to the public interest or common good. Politicians may seek renown and power, but only through supporting policies that articulate a collective vision that resonates with the public.

From the idealist perspective, if politicians place electoral advantage ahead of the long-term welfare of the country, then politics is no longer sound and healthy and has, to that extent, become corrupted. Such a high-minded view of corruption, though clearly at odds with the perspective held by hard-headed observers of everyday politics, is none the less widely held. It is implicit among economists who condemn democratic politics as rent-seeking against the public interest.⁶ It is also supported by advocates of 'deliberative democracy',⁷ who stress the dynamic effects of public dialogue in helping people to move beyond self-interest. Moreover, the idealist conception is deeply entrenched in democratic political culture and public opinion. In all democratic societies, political actors, whatever their real motives, are obliged to express their policy preferences in terms of concepts such as the common good or the public interest. Any open espousal of a selfish or sectional motive will be seen as being outside the legitimate range of political argument.

The public-interest demands of democratic discourse do force some constraints on the more blatant cases of political self-interest, which cannot be plausibly dressed up in terms of the common good or public interest. But, for the most part, the reality of democratic politics falls well short. The basic political contest is best understood in realist, pluralist terms, as a competition between conflicting sectional interests and personally ambitious politicians. At the same time, this political reality dare not speak its name. Politicians are forced to deny what everyone knows to be true: that much of their behaviour is dictated by personal ambition and sectional advantage, rather than by concern for the public interest. To the vice of selfishness is added that of hypocrisy, fuelling public distrust of the democratic process and a general sense that the process is corrupt.

The contrast between the realist and idealist conceptions helps to explain some of the impasse over defining corruption. The acts which all agree to be corrupt, such as outright bribery and misappropriation, are clearly corrupt in both conceptions. Beyond this hard-core corruption, however, opinions often diverge, in part because the different conceptions produce different answers. Thus, whether business contributions for campaign funds are to be considered corrupt depends on which conception is adopted. A realist perspective will see it as a normal part of democratic politics in a liberal capitalist society, whereas, from an idealist point of view, all such donations, however transparent, appear morally reprehensible and corrupt.

Because the realist conception of democracy provides a more accurate picture of political practice in modern democracies, it offers a more reliable guide to the standards of political corruption that should prevail. Corruption needs to be seen as the *excessive* pursuit of private interest, not the pursuit of private interest *per se*. In a properly functioning democracy, the definition of what counts as excessive and therefore corrupt will be defined in the laws and professional codes of conduct. Beyond complying with established laws and standards, however, there is no obligation on political actors to refrain from seeking advantage over one another.

Even within a realist framework, some elements of government need to be held to higher, more idealistic standards. The legal system, including courts and police, as well as quasi-judicial bodies such as auditors, ombudsmen and inspectors, are all expected to remain fully focused on the public interest and to

Corruption and Anti-Corruption

exhibit zero tolerance towards any hint of preferring their own interests to those of the community as a whole. Government bureaucracies, being obliged to administer the law impartially, are similarly required to avoid any hint of favouritism. Not surprisingly, professional ethics and codes of conduct designed for public servants and legal officials emphasise the public-interest features of their roles and adopt views of corruption that are idealist in temper.

Thus, different actors in a functioning democratic polity need to display different attitudes towards the pursuit of personal and sectional interests in politics and therefore different attitudes towards the nature of corruption. For those directly engaged in the political contest over policy, for instance organisations of civil society, political parties and politicians, private interests are often uppermost and corruption is therefore a matter of overstepping the line between the legitimate and illegitimate pursuit of these interests. For officials who regulate and administer the policy process in ways that should prevent corruption, the pursuit of private interests is always illegitimate. In the democratic game, the players may be realists but the umpires must be idealists.

The tension between the realist and idealist perspectives helps to explain the ambiguous effects of democracy in combating corruption, especially within societies that lack an effective legal system and accountability institutions. Democratic politics entails open conflict over the spoils of office and can unleash the selfish motives that encourage corruption. The electoral incentive to create a winning coalition through appealing to some sections of society but not others, as well as the need to raise funds for campaigning, explicitly encourages the granting of favours and the rewarding of supporters. Without effective institutions dedicated to policing corruption, a shift to electoral politics cannot be a recipe for reducing corruption. Guaranteeing free and fair elections at periodic intervals will do little to prevent corruption, unless elected governments are themselves constrained to act within the law. The rule of law is fundamental, both for stable democracy and for curing corruption.

Notes

- ¹ The main authorities on this issue are collected in Heidenheimer, A.J. and Johnston, M. (eds), *Political Corruption. Concepts and Contexts*, third edition, Transaction Publishers, New Brunswick and London.
- ² Marquette, H., 2001. 'Corruption, democracy and the World Bank', *Crime, Law and Social Change*, 36:395–407.
- ³ See Transparency International, 2005. *Transparency International Corruption Perceptions Index*, Berlin. Available from <http://www.transparency.org/cpi/2005>
- ⁴ See Philp, M., 1997. 'Defining corruption', *Political Studies*, 45:436–62.
- ⁵ For example, Schumpeter, J.A., 1947. *Capitalism, Socialism and Democracy*, Harper, New York.
- ⁶ For example, Tullock, G., 1989. *The Economics of Special Privilege and Rent-Seeking*, Kluwer, Boston.
- ⁷ For example, Dryzek, J., 2000. *Deliberative Democracy and Beyond*, Oxford University Press, Oxford.

Corruption and Anti-Corruption

Are free trips and payments to politicians bribes?

Satish Chand

'Are free trips and payments bribes?' asks the *Marshall Islands Journal* of 21 July 2006. The question arose after an earlier report of a group of Marshallese senators (that is, parliamentarians) and their spouses having paid an official visit to the People's Republic of China (PRC) early in 2006. Official visits are not unusual: Pacific island politicians are known to trot about the globe at the invitation of their hosts to discuss aid, whaling and tuna fisheries. What attracted the attention of the local media, however, were reports from 'unnamed sources' that the trip was fully funded by the PRC. The visiting couples, moreover, were reported as having each received between US\$7,000 and US\$12,000 from their hosts. It so happens that the Republic of the Marshall Islands is only one of a handful of nations that gives diplomatic recognition to the Republic of China (that is, Taiwan), something that the PRC has always strongly opposed. One of the senators named in the report has threatened to sue the newspaper for libel, claiming that they received only US\$1,000, and as per diem. But when does a 'gift' constitute a bribe?

Is there anyone who has never faced a situation that could, even vaguely, be construed as being at the margins of corruption? The incident in Marshall Islands allows us to explore a number of issues relevant to this slippery notion of corruption. What is corruption? Why the current focus on corruption? What are the consequences of corruption? How can corruption be combated? Sure, you have a view on each of these questions; here, I will put on my economist cap to address the questions raised above. In doing so, I will steer clear of the moral issues surrounding corruption.

What is corruption?

Defining corruption is the least of our challenges. Corruption often entails the 'use of public office for private gain' (Bardhan 2003:1). But this cannot be all. The Enron saga in the United States and the continuing Australian Wheat Board (AWB)

investigations show cases of abuse of private office for personal gain. Monopolies use their market power to maximise private gain, but this is never construed as corruption. Corruption might entail private gain with at least some complicity of public officials. A monopoly that abuses its market power in complicity with the authorities responsible for guarding against anti-competitive behaviour, for example, would constitute corruption. Corruption entails a transaction between the corruptor (the person who demands this 'service') and the corruptee (the person who supplies the 'service') that is in contravention of the law. This conceptualisation of corruption is far from complete, but will suffice for this paper. Somewhat analogous to the notion of beauty, most people will claim to be able to recognise corruption when they see it! Quantifying corruption is, however, a lot trickier. Back to our Marshall Islands case highlighted at the beginning: did the free trip and the allowances constitute corruption?

Why corruption?

Corruption exists because there is a supply of and demand for this service; the Marshall Islands case to the extent that it constitutes corruption is not an exception in this regard. Corruption, therefore, lends itself readily to supply-demand analysis. Factors impinging on the supply of corruption would include the lack of income and alternative employment opportunities, the absence and/or poor state of detection and punishment mechanisms and the entrusting of significant discretionary powers to the corruptees. On the demand side, the presence of large proceeds for corruption (rents), such as those from lumpy government contracts, might raise the demand for corruption. Considering corruption as a homogeneous form for tractability, the quantity of corruption and the price paid for the service is determined by the above-mentioned factors.

A non-zero level of corruption is supplied at some price (bribe), p^E . The varying levels of corruption

Corruption and Anti-Corruption

across time and space can be attributed to changes in demand for and supply of corruption. One would, for example, expect that a large windfall from mineral receipts would raise the demand for corruption, thus shifting the DD-schedule to the right. The price paid—this being the level of the bribe—would be high in situations where the supply of corruption is constrained. This could be for several reasons, including high ethical standards, effective community sanctions, effective formal-sector detection and punishment strategies and little discretionary authority. Having a feel for the quantity of corruption and the level of bribes across space and time provides a good indication of whether it is the demand-side or supply-side factors that influence changes in the level of corruption over time. Knowing the causes of corruption is crucial for the design of strategies to combat it.

What are the consequences of corruption?

There are a number of studies showing that corruption raises poverty; this in the main takes place through two distinct channels. First, corruption acts as a tax on production and thus is responsible for lowering the rate of growth of income. The poor, being at the end of the income queue, are therefore the first to suffer the consequences of an economic decline. There is robust empirical evidence at the cross-country level showing that corruption lowers the rate of economic growth. There are now some micro-level studies that corroborate the findings at the economy-wide level. Fisman and Svensson (2000), for example, show, using firm-level data from Uganda, that a one percentage point increase in the bribery rate is associated with a reduction in the rate of growth of firm-level output by three percentage points; this effect, moreover, is found to be three times larger than that of taxation of a similar magnitude.

Second, corruption entails a redistribution of income that is poverty increasing, though the evidence in support of this proposition is far from conclusive. The poor are least able to purchase corruption simply because they have neither the funds nor the information (networks) to access this service. Corruption, being a transfer of wealth from one group to another, benefits the rich at the expense of the poor. A customs officer who is paid to look the other way for dutiable imports short-changes the treasury by the difference in the payment received and that due under the law. When a nurse, in contrast, accepts a bribe ('speed money') to treat one patient ahead of (or better than) another, it is the poorer

patient who is short-changed in the process. Furthermore, the speed money can lead to perverse effects such as providers holding up critical services only to induce payments of bribes.

Corruption, however, is not always and unambiguously bad. In the presence of excessive red tape, for example, speed money might provide the only avenue for getting things done. When removing the weight of bureaucracy is impossible, as is the case in the short to immediate term, bribes might be the only option available to get timely responses from those in positions of authority. The punitive effects on growth of a highly centralised and inflexible bureaucracy, for example, can be ameliorated with 'palm-grease'. When corruption becomes part of the costs of doing business, the costs of corruption to society are via two distinct channels: i) through lack of information on how to effect such transactions given the illegal nature of corruption; and ii) the lack of competition for the supply of this service as the corruptee has a monopoly on supply.

Importantly, however, high and persistent corruption creates a trap from which it might be very difficult to break out. It is difficult to reduce corruption when everyone else is corrupt. The clients in such a situation might as well assume that everyone is corrupt even if this is not the case. In such a situation, the urge to 'join them if you can't fight them' could be irresistible. The incentives to pay tax when no one else does so, for example, are absent. What follows as a consequence is the under-provision of public goods, including minimal efforts at combating corruption. The consequent lock-in makes corruption endemic. Corruption now becomes part of the system and getting out of this hole is close to impossible. The moral of this story is that combating corruption requires an early start with heavy treatment. This is easier said than done, particularly after having woken up to the problem too late.

How can corruption be combatted?

Economists start with the premise that corruption exists only because the incentives are consistent with its prevalence. Reducing corruption, therefore, is all about changing the structure of incentives. The demand and supply-side causes are identified and addressed in any strategy aimed at abating corruption. One would expect that petty corruption, as an example, due to high unemployment and low wages would fall as the economy grows. While not suggesting that this form of corruption be ignored altogether, greater efforts at addressing the

Corruption and Anti-Corruption

impediments to growth of employment are likely to reduce supply-side corruption. The above accompanied with reductions in the complexity of regulations, lesser discretionary powers for decision makers, better monitoring and disciplining of defrauders, and better paid workers are likely to reduce supply-driven corruption. On the demand side, reducing rents might seem appropriate but individuals and nations have little control over the magnitude and timing of these windfall gains. Thus, creating institutions that distribute rents when and if they materialise in a transparent and predetermined manner is likely to reduce rent-seeking activity. Hong Kong and Singapore are cases where corruption reduction efforts have had considerable success.

With all this knowledge, were free trips by the Marshallese politicians funded by their Chinese counterparts bribes? If so, how can we avoid a repeat?

Notes

- ¹ Helpful comments on an earlier draft of this note from Quentin Grafton, Ben Graham, Carl Hacker and Steve Pollard are acknowledged, though the views expressed and any errors are those of the author alone.

References

- Bardhan, P.B., 2003. The economist's approach to the problem of corruption, University of California–Los Angeles (unpublished).
- Fisman, R. and Svensson, J., 2000. Are corruption and taxation really harmful to growth?, World Bank, Washington, DC (unpublished).

Corruption and Anti-Corruption

Diagnosing the disease of corruption: what different disciplines say about curing corruption

Peter Larmour

Corruption is often talked about as a disease. That metaphor suggests the possibility of a treatment, even cure. It also raises the question of diagnosis, or misdiagnosis. What kind of a disease is it: a cancer, perhaps, or a virus, or merely indigestion? If it's the first, the cure might be surgery. If it's the last, the cure might be an aspirin—or patience until it cures itself. It's clearly important to get the diagnosis right, before a cure is prescribed.

There are many diagnoses of the causes of corruption in popular opinion, newspaper editorials, in churches, mosques or temples and in professional doctrines. Some of these diagnoses are fatalistic. Nothing much can be done about it. Or we must wait for long-term social changes to reduce it. And some of the remedies are quite utopian: zero tolerance, a revolution or a change of heart. Many diagnoses are paired with practical cures or treatments that follow logically from them. Equally, the diagnosis provides a rationale for the cure. That cure might also serve other purposes. Anti-corruption campaigns might serve as a form of social control, or a way to discredit political opponents. It might even be—as in the history of medicine—that the cure is worse than the disease.

Here I want to identify a number of pairs of diagnoses and recommended cures. In practical terms, my aim is to show that there are precedents and plausible alternatives to the diagnoses and cures currently on offer, and that older approaches are still relevant today. Behind these practical concerns is an interest in the links between theory and practice (appropriate to a public policy school like the one in which I work) and the two-way street that runs between them. The relationship between diagnosis and cure is not direct and one-way. Cures might come before diagnosis, doctors have got medicine wrong in the past and anti-corruption campaigns might have unintended side effects.

There has been a sharp increase in international attention to corruption since the 1990s and, for example, anti-corruption activity has become a plank in the Australian government's aid policy. Domestic

political concerns with corruption began much earlier. The exemplary model of the Independent Commission Against Corruption (ICAC) was devised in the 1970s and India's Vigilance Commission dates back to the 1940s. Modern civil service systems partly reflect nineteenth-century reforms designed to reduce corruption in appointments and promotion. The checks and balances in modern constitutions date back to eighteenth-century concerns about the dangers of self-interested 'factionalism'. Concern about corruption is in many ways a foundational one for political science, or at least constitutional democracy: how can we design things to stop leaders abusing their power over us?

There is now also a small but growing body of research that is sceptical of the effects of anti-corruption campaigns. Frank Anechiarico found that the new layers of supervision that followed each corruption scandal in New York were severely limiting the efficiency and effectiveness of the civil service. Ivan Krastev and other scholars in Eastern Europe have found donor-sponsored anti-corruption campaigns inducing popular cynicism and populist styles of politics in which candidates trade accusations of corruption rather than debate policy.

Classical diagnoses

The phrase 'who guards the guards' is attributed to Juvenal, a poet of ancient Rome. Richard Mulgan (this issue) points out that the earlier Greek philosophers Plato and Aristotle had a dualistic world-view that contrasted an ideal world truth and goodness with the real world of change and decay. The ideal world was used as a standard against which to judge the real. All existing regimes were thus to some extent corrupt.

The Greeks also expected their leaders to be wholly committed to the common interest. They were expected to have no legitimate private interests (whereas we now tolerate some kinds of private interests among leaders, as long as they declare them).

Corruption and Anti-Corruption

The Greek remedy for the inevitable corruption of the real world was second best: the rule of law. Any law, even if it favoured one group over another, was better than no law, as it limited the scope for arbitrary *ad hoc* decisions. They also argued that the strongest source of political stability was a law-abiding middle class, preoccupied with making money, rather than aristocrats or the unemployed with time on their hands to cause mischief.

Classical non-Western diagnoses

The Greek philosophers provided the foundations for modern Western thought. They also influenced Islamic thinkers. Syed Alatas cites the Muslim historian Ibn Kaldun (AD 1332–1406) diagnosing corruption as caused by ‘loose living among the élite’. There was a quite separate tradition of Chinese thinking about corruption, turning on the distinction between ‘laws’ and ‘men’. The Chinese philosopher Wang an Shih (AD 1021–86) brought both sides of the long-running Chinese debates together in the argument that corruption was caused by bad systems and bad individuals. Both of these diagnoses have clear practical implications.

The prohibition against ‘loose living’ reminds me of the booklet produced to explain Papua New Guinea’s leadership code to incoming Members of Parliament. It showed cartoons of politicians receiving cash in brown envelopes, but also dancing with girls who didn’t look like their wives. It points to the executive car-park and the way ostentatious lifestyles can provide clues to unofficial sources of income. More generally, it reminds us of the way successful leaders often cultivate personal modesty, and the corruption of *nomenclatura* behind the sober exteriors of communist leadership. It also points to the populist anger at elite immorality that sometimes lies behind campaigns against corruption.

Modern anti-corruption practice tends to emphasise good systems over good individuals, partly out of prudence. Members of non-governmental organisations (NGOs) taking on powerful individuals are likely to face litigation, or worse. Transparency International’s doctrine specifically eschews the pursuit of bad individuals in favour of systemic and preventive approaches. These are contrasted with older approaches that targeted individual rotten apples as a way of avoiding systemic reform.

Yet clearly individual predispositions will determine how individuals respond to the opportunities an organisation presents them with.

According to Hong Kong’s ICAC, officials with gambling debts will, for example, be more disposed than others to corruption. Selection procedures can ask about an individual’s ethical history, and training programs can try to change predispositions. More generally, the talk of ‘moral individuals’ points to the role of religious morality in predisposing officials against corruption (and the question of alternative sources of authority for anti-corruption campaigns in more secular societies, such as New South Wales).

Public administration diagnoses and cures

Nineteenth-century municipal reformers in the United States were worried about political involvement in appointments to the civil service and in the openings it provided for incompetence. They saw the remedy in an autonomous, professional civil service, drawing a clear line between ‘politics’ and ‘administration’. The image of an autonomous, hierarchical civil service, providing a career for officials motivated by an ethos of public service, animated civil service reforms at least until the 1980s, when it was shouldered aside by advocates of the New Public Management. The latter took a more sceptical view of official motivations and a more benign view of the market.

Nevertheless, the image of an autonomous professional civil service continues to be attractive to civil servants (and to the officials in donor institutions who promote good governance abroad). Current ‘capacity building’ tends to follow an old ideal of an effective, impartial civil service, free from political interference.

The public administration diagnosis tends to be of weak and ineffective institutions, a lack of separation between public and private matters and politicians ruling outside the law. Its characteristic remedies include various kinds of insulating and strengthening institutions. Personnel, auditing and contracting functions need to be insulated from external interference. Outdated and contradictory legislation needs to be modernised and courts and anti-corruption agencies need to be strengthened.

Political diagnoses and cures

Civil service reforms seek to reduce corruption by keeping politicians out of administration. They can be extended to include lower-level elected officials, treating them as if they were civil servants, meant to account properly for their travel and avoiding conflicts of interest. But they do not speak directly to corruption

Corruption and Anti-Corruption

as a crime of the powerful, of those who can evade the laws because they ultimately make them. Or they might engage in what is sometimes called ‘policy corruption’ or state capture, when laws are changed to suit particular powerful interests and individuals (as sometimes seems to happen with ‘mogul-friendly’ media legislation in Australia).

A political diagnosis of corruption points to lack of accountability, authoritarian styles of leadership and abuse of power. Its remedies typically include democratisation, a strong media, legislative oversight of the Executive, codes of conduct governing the behaviour of politicians, campaign finance legislation and a mobilised civil society ready to bring politicians to account. Papua New Guinea’s constitution is influenced strongly by the political diagnosis.

Economic diagnoses and cures

The most influential new approaches to corruption have come from economists and have been promulgated particularly by international organisations, including the NGO Transparency International, founded in 1993 to combat corruption in international business transactions. Economists used to be criticised for taking a non-judgmental approach to corruption. Some argued that—in an over-regulated system—some corruption that ‘greased the wheels’ might be no bad thing. The economist most influential in shifting professional judgments was Susan Rose-Ackerman (1999). Robert Klitgaard’s work, particularly his 1998 *Controlling Corruption*, challenged the assumption that nothing much could be done about it. Johan Lambsdorff devised an index that provided the kind of data that economists needed (Lambsdorff 2006). Econometric work by Daniel Kaufmann, in particular, has shown the deleterious effects of corruption on development (World Bank 2006).

Klitgaard summarises his own approach in a simple formula

Monopoly + Discretion – Accountability = Corruption

The new term in this diagnosis is ‘monopoly’—the opposite of competition. It offers another way of thinking of the power of which corruption is an abuse. According to Klitgaard, it is the monopoly power of government that gives its officials the power to extort bribes from their clients. Without that monopoly, clients could go elsewhere, shopping around, until they get what they want without paying a bribe. The

privatisation and deregulation of telephone services is a good example of the effects of ending monopolies. When only the government can install phones, there are typically delays and opportunities for officials to extract bribes to install connections. When several companies provide the service, none can extract a bribe as ‘rent’. You tend not to hear of corruption in the sale of mobile phones (though there might be plenty of new corruption in the allocation of mobile phone licences to companies).

The other elements of Klitgaard’s formula are more familiar. Discretion provides opportunities to grant or withhold a service, or apply or exempt from a charge, which provides officials with an opportunity to extort a bribe (again, it is the official rather than the client who tends to get the blame—a reversal of the old civil service model). The third term, accountability, has become a panacea for all sorts of ills of governance.

The remedies simply reverse the formula: end monopolies, reduce official discretion and increase accountability. These fit easily with programs of public sector reform and good governance that international institutions were promoting in the 1990s.

Liberalisation in some countries, however, seems to have increased the amount of corruption (for example, in India). And, looking back to the political arguments for democracy, democratisation in some countries seems to have made no difference or has made things worse (for example, Russia and Thailand). Gordon White coined the phrase ‘new corruption’ to describe these unwelcome and unexpected consequences of reform. The remedies were seen to lie in strengthened regulatory regimes and property rights.

Criminological diagnoses and remedies

Economic and public administration approaches are dominant in international organisations, but the doctrines of domestic anti-corruption agencies tend to be located in older concerns with policing and criminal justice. The original ICACs were set up in response to police corruption, in Hong Kong and then NSW. NSW’s ICAC is typically headed by a judge and the investigative side is staffed by former police.

Corruption is, after all, a crime in most jurisdictions (or at least some types of corruption, such as bribery, are criminalised). Angela Gorta, the ICAC’s research director, reviewed the criminology literature for the light it might shed on corruption control (Independent Commission Against Corruption 2001).

Corruption and Anti-Corruption

First, crime depends on situation, not the fixed personality of the offender. There are no criminal types. Second, people choose to commit crimes. They are often a matter of calculation rather than impulse. Third, there are different types of crime: crimes against property, crimes against the person, and so on. Fourth, offenders try to justify and neutralise what they do, to themselves and their accusers: 'I did it for my family', 'pressure of work' and so on. Fifth, organisational factors affect whether crime takes place: the presence or absence of opportunities, the examples set by others, peer pressure and so on.

These findings from criminology have implications for a particular crime, or type of crime: corruption. The first suggests that everyone is capable of acting corruptly, in the right circumstances, so anti-corruption campaigns must view all officials as potentially corrupt (including those at the top, who traditionally commissioned anti-corruption campaigns without making themselves subject to them). Second, if they decide to act corruptly it is worth trying to understand why they did it (exercising suitable scepticism about the self-justifications they might offer). The third principle suggests we need to take different approaches to different types of corruption. Lumping all types together might obscure important differences in incidence, seriousness and remedies. Bribery of officials needs to be dealt with differently from political campaign financing, for example. The fourth principle suggests investigators must be ready to challenge the self-justifying and neutralising explanations that corrupt officials offer to explain their behaviour (low pay might be one of those). Finally, the organisational factor that the NSW ICAC has taken most seriously is organisational culture: the expectations set by peers, particularly in induction routines, and the examples set by leaders. New recruits to the police force, for example, were typically told to forget what they had learned at police college and join in corrupt activity, apparently condoned by those at the top.

Conclusions

It is possible and instructive to identify other pairs of diagnoses and cures. Readers will be able to suggest others, from anthropology or psychology, perhaps, or different theological perspectives, or indigenous traditions. But how does this approach help us understand corruption, and what can be done about it?

First, it suggests that there is no single right approach. It offers a repertoire and the criminological approach, in particular, suggests that different types

of corruption need to be treated differently (it also suggests a multi-disciplinary approach in ICACs against professional biases to work with one's own).

Second, it suggests some scepticism about professional and disciplinary doctrine that has been wrong in the past. Anti-corruption campaigners need to ask for systematic empirical evidence for the effectiveness of the remedies offered by particular professions or disciplines, rather than anecdotal evidence for preconceptions. Unfortunately, there is little systematic empirical evidence available on the success or failure of anti-corruption policies and more is badly needed.

References

- Alatas, S., 1990. *Corruption: its nature causes and functions*, Avebury, Aldershot.
- Anechiarico, F. and Jacobs, J., 1996. *The Pursuit of absolute Integrity: how corruption control makes government ineffective*, University of Chicago Press, Chicago and London.
- Independent Commission Against Corruption, 2001. *Unravelling Corruption II—Exploring Changes in the Public Sector Perspective 1993–1999*, Research Report, Independent Commission Against Corruption, Sydney.
- Klitgaard, R., 1988. *Controlling Corruption*, University of California Press, Berkeley and Los Angeles.
- Krastev, I., 2004. *Shifting Obsessions: Three Essays on the Politics of Anti Corruption*, Central European University Press, Budapest.
- Lambsdorff, J., 2006. 'Measuring corruption—the validity and precision of subjective indicators (CPI)', in C. Sampford, A. Shacklock, C. Connors and F. Galtung (eds), *Measuring Corruption*, Gower, Aldershot:81–100.
- Rose-Ackerman, S., 1999. *Corruption and Government: Causes Consequences and Reform*, Cambridge University Press, Cambridge.
- White, G., 1996. 'Corruption and market reform in China', *IDS Bulletin* 27(2).
- World Bank, 2006. 'A decade of measuring the quality of governance: governance matters 2006: Worldwide Governance Indicators', World Bank, Washington, DC.