

“Neoliberal reforms do not so much end corruption as privatize it.”

Controlling Global Corruption: Are We There Yet?

MICHAEL JOHNSTON

After two decades during which few scholars, and even fewer governments and international agencies, paid much attention to it, political corruption has climbed back up the international policy agenda. A variety of forces have driven the renewed interest. The fall of communism

ECONOMICS

Global Trends, 2006

ended the cold war and, with it, the geopolitical utility of a wide range of corrupt regimes. Subsequent political and economic transitions were plagued by corruption in forms both old and new, while foreign aid agencies came under pressure to do more with less. The integration of markets on regional and global scales drew attention to the contrasting realities of doing business around the world; intensified competition meant that bribes once seen as acceptable overhead costs were now liabilities.

An aggressive neoliberal coalition came to regard corruption as a legacy of states whose boundaries and functions needed to be rolled back. Discontent among lending and development officials over the ways funds were used and misused led some to begin using the “c-word” in public. Soon it became clear that in some regions corruption was linked with violence and with trafficking in drugs, arms, and human beings. Whatever the causes, there was a growing sense that something needed to be done about corruption—indeed, that it was spiraling out of control.

The result was a proliferation of reforms. Many were familiar nostrums drawn from public administration. More comprehensive strategies sought to enhance party systems, the capacities of parliaments, interagency and intergovernmental cooperation, international banking practices, and the

anticorruption savvy of journalists. The reform push coincided with and reinforced a growing interest in civil society and social capital, and in the ways social sanctions and values can help check abuses. These ideas figured prominently in externally supported reform efforts in societies as diverse as Ukraine, the Philippines, and Tanzania.

Transparency International (TI), launched in 1993 as a worldwide anticorruption coalition, has kept the issue in the public eye, often where leaders wished such attention would go away. TI, the World Bank, private foundations, and national development agencies have sponsored myriad studies and recommendations, while high-profile anticorruption conferences compete for space on the calendar. Research has flowered too, both in academe and within international agencies; a flood of new data sources, indices, and case studies has produced a collective knowledge base far exceeding anything available before.

All well and good. But, as 2006 approaches, where do we stand after a generation of this advocacy, research, and reform? Does the global economy show more corruption now, less of it, or corruption of different kinds?

SHOOTING IN THE DARK

The short answer is that we have no way of knowing. Corruption is difficult to define. Measuring it with any precision is impossible, in part because those with knowledge of a corrupt act usually share an interest in keeping it concealed. It is tempting to turn to widely published corruption indices, such as TI's Corruption Perception Index and the World Bank Institute's Governance Indicators, to search for trends. But these rankings, even as snapshots for any given year, are flawed at best, and for year-on-year trends they tell us very little.

Quite apart from the basic definitional problems and the pervasive secrecy surrounding corruption, we must remember that measured perceptions and

MICHAEL JOHNSTON is a professor of political science and the director of social sciences at Colgate University. He is author of *Syndromes of Corruption: Wealth, Power, and Democracy* (Cambridge University Press, 2005). This article is fourth in a Current History series on worldwide corruption.

proxy indicators are not the same thing as corruption itself. Survey respondents may be reacting to the openness of some corrupt practices rather than to the scale of the problem itself; judgments of how corrupt a country is will inevitably be influenced by cultural factors that also affect respondents' attitudes. And using a single number to describe corruption in northern versus southern Italy, for example, or in Moscow, Ekaterinburg, and Magadan (or, for that matter, in New Jersey, Alabama, and Minnesota), is a dubious enterprise.

A country's capacity for detecting corruption, and the freedom to report what has been discovered, can vary from one year to the next. Both democratic transitions and military coups—many of the latter, ironically, justified to the public as anticorruption moves—can be occasions for one faction or another to reveal past abuses, real or imagined, by opponents. And apparent trends may say more about political expediency than underlying levels of venality. During the long run of Institutional Revolutionary Party presidencies in Mexico, the fifth year of a *sexenio*—the six-year single term of a Mexican president—was often called the “year of Hidalgo,” so named for the face on the peso. A time of more subdued corruption usually followed as the party prepared to win another election by whatever means necessary but, as Stephen Morris noted in *Corruption and Politics in Contemporary Mexico*, subsequent presidents regularly declared themselves shocked—shocked!—to discover abuses by their predecessors.

We simply do not know whether corruption is increasing or on the decline. Enhanced monitoring, tougher legislation, and more frequent prosecutions may well produce a rise in the number of known corruption cases, with effects on perception-based indices that are difficult to predict. Over the long run the safest generalization in some countries is that rules and expectations have become tougher. Controls on political contributions proliferate, conflict-of-interest and financial disclosure standards in both politics and the bureaucracy have been upgraded, and relatively modest cases of official theft or favoritism can make headlines and stir up public outrage. In other cases, however—especially with post-transition societies and those emerging from conflict or crisis—the evidence does not offer sufficient grounds to judge what is happening.

Treating corruption as essentially the same problem everywhere is a prescription for irrelevance, lost opportunities, and in some instances, real harm.

THE CORRUPTION CONSENSUS

A more subtle set of biases complicates the question even further. Current indices tend to reflect an underlying consensus view of corruption that first emerged after the end of the cold war. Calling any set of outlooks a “consensus” is risky business, but it is safe to say that the corruption debates and reform efforts of the past generation have reflected the worldview of the international aid, trade, and business figures who have pushed the issue back up the world agenda.

By itself there is nothing necessarily wrong with that: without the backing and resources of these interests, corruption and the very real human abuses it causes and protects would receive far less attention than they do. But the business-and-markets worldview is limited, and it has problematic implications.

It tends to treat “corruption” as a synonym for “bribery,” usually at high levels and involving international aid, trade, and investment. Bribery and its sibling extortion, in which an official initiates the transaction, are probably the most common forms of corruption, as well as the easiest to model for

analytical purposes. But corruption as real people experience it also includes favoritism, falsification of data, official theft, electoral fraud, the use of “administrative resources” to intimidate voters and regime opponents, and diversions of foreign aid and national revenue streams, to name just a few other variations.

New insights into the market-distorting consequences of corruption have laid to rest old debates about its alleged “functionality” (it may be less damaging than many of the alternatives in some settings, but there is little to suggest any inherent economic or political benefits). But a corollary of these findings is a tendency—reinforced by the accepted wisdom of rolling back state involvement in the economy—to see corruption primarily as the effect, as well as a cause, of distortions in otherwise efficient markets.

Looked at this way, corruption makes a very attractive explanation for all manner of development difficulties, and it is but a short step to the argument that the best way to reduce corruption is to get government, and its opportunistic hacks and bureaucrats, out of the way. The anticorruption worldview thus envisions the reformed state as a technically competent referee of liberal market processes, pursuing at most a minimalist agenda of “governance.”

Politics, in this view, is the source of corrupting self-interests and of contention that gets in the way of “sound public management.”

The implications unfortunately reach far beyond a one-dimensional notion of corruption to include a linkage of anticorruption reforms with a denigration of politics and the contention inevitably surrounding real governments. This worldview, when implemented in aid and development strategies, has sent many transitional societies into the rigors of global competition without even the basic institutions they need to sustain working markets, much less those required to pursue broad-based development with justice. It has also proved a poor basis for combating corruption.

The neoliberal consensus reflects the experiences and interests of developed societies; it may also give them an unearned “pass” when it comes to comparisons of corruption. Established liberal democracies receive very good scores on corruption indices, and it does seem likely that corruption is less of a problem with them than with many of their poorer and less democratic neighbors. But are affluent market democracies really that much “less corrupt” as such, or have they just evolved legal systems that are accommodating to wealth interests? Major corporations in the United States do not bribe cabinet members in the way their counterparts bribe finance ministers in developing countries, but they may have little need to do so in a political system where wealth and corporate backing are major political currencies. America may rank high on indices of “governance,” but do citizens trust their state to aggregate broad-based interests into beneficial policy? Public opinion polls regarding the role of money in politics make it less than obvious that the answer is yes.

DOUBLE STANDARDS

Established market democracies have had generations or centuries to work out acceptable relationships between wealth and power. Poorer societies, by contrast, are expected to do so now, often in the midst of an assortment of crises. Further, they are expected to maintain the highest available standards of governance (the term “best practices” is popular in reform circles) rather than move through the intermediate phases of legal and political development experienced by older countries. In England it once was not only legal, but expected, that someone benefiting from the services of a watchman or constable would pay something in return; the arrangement not only provided an income to the official but enforced a rough sort of value-for-

money accountability to the paying citizen. Anyone following that example in a developing society today is engaging in corruption.

Likewise, in advanced societies civil society is a significant anticorruption force, but this state of affairs evolved over many generations among people who were able to mobilize in defense of their interests. Too great an emphasis on civil society in many of today’s high-corruption societies, by contrast, may amount to little more than expecting the weak to restrain the strong, and to do so in the name of reform as a public good, rather than as a way to protect people’s interests and well-being. Should reform prove unsuccessful, the victims of corruption may be blamed for failing to control their abusers.

VARIETIES OF GRAFT

A full appreciation of these complexities requires more than distinctions between higher and lower levels of corruption, addressed with one-size-fits-all reforms. The consensus view in effect treats corruption as something like gross domestic product—some countries have a lot of it, others a great deal less. But corruption occurs in a variety of forms that reflect diverse underlying problems and causes. And anticorruption reforms that are helpful in one setting may do considerable harm in another: aggressive privatization of state assets in mid-1990s Russia, and a shift in Kenya toward competitive electoral politics at a time when practices and resources long used to build political support were being squeezed out of the system (“best practices,” again) are but two examples.

My research suggests there are four qualitatively different kinds of corruption. Addressing each of these requires reforms that are tailored to the underlying causes of the problem—and that also involve a far larger role for politics.

Influence markets, such as those found in the United States, Germany, and Japan, involve efforts by wealthy interests and individuals to shape specific policies, often by channeling funds to elected officials and party leaders who act as middlemen between business and bureaucrats.

Elite cartels are extended, interlocking networks of political, bureaucratic, business, military, and media elites, sustained by sharing corrupt rewards and maintained as a way to stave off political competition; Italy, South Korea, and Botswana are prominent examples.

Oligarchs and clans dominate the rapidly changing, sometimes chaotic politics and economies of societies where liberalization has been extensive and institutions are very weak; in Russia, Mexico, and the Philippines, for instance, corrupt figures

and their personal followings contend over very large gains and, in some instances, resort to violence to protect them.

Official moguls are top political figures, or their personal favorites, who use state power to plunder the economy. Such systems of corruption can be tightly centralized, as in Suharto's Indonesia or Kenya under Daniel arap Moi, or they may be more fragmented and networked, as in China, where most corruption occurs at the provincial level. Either way, official moguls use state power to enrich themselves, often with impunity.

The economic damage wrought by the latter two sorts of corruption can be formidable, but influence markets are worth worrying about too, since they undermine the vitality of democracy and may "control" corruption largely by accommodating the power of wealth. Elite cartels provide short- to middle-term continuity and predictability, at times encouraging economic growth as a result. But the systems they help maintain are often inflexible in both economic and political terms.

Effective reforms will differ from one corruption syndrome to the next. Indeed, what works in one setting may do considerable damage elsewhere. Increased electoral competition, for example, is part of an effective response to influence markets. In Mexico, however, that sort of change—welcome in itself, but coming at the expense of the dominant party that was the country's strongest political institution—helped tip an elite-cartels case into a more disruptive oligarchs-and-clans situation. Privatization, likely a desirable strategy in elite-cartel Italy, helped turn Russia into the "wild, wild East" when implemented in the absence of sound property rights, an effective national state, and other institutions. Reform, in some settings, might have less to do with an absolute reduction in corruption (after all, how would we know?) than with a gradual shift toward less disruptive varieties of it.

Over the long run, however, all of the syndromes point out the importance of a credible, well-institutionalized state, a working balance between political and economic opportunities, and the value of long-term "deep democratization" that enables citizens to defend themselves from abuses through political action. These four categories, and the remedies they suggest, may or may not be the best ways to come to terms with the complexities of corruption as real people experience it. But treat-

ing corruption as essentially the same problem everywhere is a prescription for irrelevance, lost opportunities, and in some instances, real harm.

THE ECONOMIC STAKES

Both the contrasts among countries and the global trends in corruption, to the extent that the latter can even be understood, are high-stakes issues. Economists such as Paolo Mauro and Shangjin Wei have presented strong evidence that corruption damages the growth of national economies, and that corruption problems in one country can be just as effective as a heavy tax in diverting investment to others. Even so, corruption benefits *somebody*. The gains flow to the well-connected few at the expense of many people and purposes in society. They cannot be regulated or taxed; and, particularly where institutions are weak, they are likely to flow out of a nation's economy rather than be reinvested.

Corruption, looked at this way, is a shadowy and particularly pernicious form of super-privatization, diverting wealth not only into private hands but often beyond the reach of economic rules and legitimate institutions altogether. It represents a knowledge problem for

policy makers, because a share of any economy, in some cases most of it, will be effectively invisible. It should also represent a warning shot to neoliberal policy makers, to the extent that they still believe deregulation, privatization, and a major rollback of the state will somehow reduce corruption while creating self-regulating, transparent economic activities and politics.

FUELING THE FIRE

It would be inaccurate and unfair to suggest that the entire anticorruption movement has been a failure or a smokescreen for new intrusions into the affairs of the developing world. The West's own problems and role in corruption have received more emphasis of late: since the end of the 1990s the realization that banks, businesses, and government policies in the developed world are implicated in corruption elsewhere has brought several international anticorruption treaties into existence. Initiatives have targeted international money laundering. Efforts to send bank deposit receipts from corrupt dealings back to their countries of origin are more common. Policies that not only condoned but encouraged international corruption (corpora-

We simply do not know whether corruption is increasing or on the decline.

tions based in some European countries were not only allowed to pay bribes abroad, but could deduct them from their tax bills) have been repealed or banned.

Many premature or counterproductive reforms have reflected not a sinister agenda, but rather a lack of understanding as to how countermeasures should be chosen and sequenced. (For instance, efforts to build civil society in some formerly communist countries—at a time when civil liberties and property rights were far from credible and the expression of real interests and grievances by citizens remained risky—resulted in short-lived civic groups with little connection to people’s actual needs and even less staying power.)

Still, most anticorruption reforms have tended to emphasize what appears to be lacking in high-corruption societies when they are compared to affluent market democracies, not the forces that actually are at work in those societies. The most glaring apparent deficiencies—weaknesses in civil society, private economies, and political parties, for example—often say more about the values and experiences of advanced societies than about the real alternatives available to developing countries. They have often led to prescriptions of extensive privatization and a minimalist style of “governance.” But whereas privatization and markets are workable, even welcome, in societies where basic economic, legal, and political institutions are strong, pushing such strategies in the absence of a legitimate, credible state may just be pouring more gasoline on the fire.

These strategies are backed by powerful interests positioned to benefit from them; they can be put in place relatively quickly, consistent with the short timelines on which aid and reform groups are too often expected to demonstrate results. But this does not mean they are effective in reducing corruption. Meanwhile, enabling groups rooted in society to build legitimate institutions—a long and difficult process, frequently involving extended political contention, and undervalued wherever market economies and market-like politics are presumed to be self-regulating—has been neglected.

PRIVATIZING CORRUPTION

Neoliberal reforms do not so much end corruption as privatize it. Illicit public-sector exchanges become legal private ones. Abusive as well as legitimate connections between wealth and power shift out of the public sector, with its restrictive legalities, administrative processes, and public scrutiny, into a far less accountable private sector. If officials

of a state-owned telephone or electric power company withhold service and supplies until bribes are paid, there is little doubt that corruption has occurred. If privately owned Enron contrives electricity shortages to enrich itself, and if its executives destroy the value of a private pension system rather than stealing a public social security fund, abuses of power still have occurred—but proving that fact and demanding accountability are far more difficult. If, in a poor country, privatization consists of the political strongman’s friends seizing the land under a popular public market or major chunks of a national forest—as was the case in Kenya—there may be little anyone can do about it.

Corruption may be reduced in some definitional sense as public roles, laws, and resources, along with notions of accountability and the public good, are taken off the table. But fundamental questions of how wealth and power should be pursued, used, and exchanged remain, even if they too have been removed from public scrutiny and delegated to private interests and processes.

Historically, many of today’s low-corruption countries brought the problem under control not through reform campaigns but in the course of fighting over more basic concerns—who could rule over, tax, and make decisions in the name of whom. The free political and economic processes of affluent market democracies did not emerge overnight, nor were they parts of “good governance” packages. They are outcomes of complex—and continuing—processes of contention among groups seeking to protect themselves from the power of others. Over time, political settlements among contending groups became institutionalized in large part because they engaged lasting interests.

This means, as political scientist Dankwart Rustow pointed out many years ago, that the laws and procedures that today sustain democratic life—and, we might add by extension, low levels of corruption—in some countries are not necessarily the ones that got them there in the first place. Looked at this way, controlling corruption is not so much a matter of choosing the right institutional forms and freeing up markets as it is of encouraging the social involvement necessary to build political settlements that are capable of checking abuses both public and private. It is, in short, a matter of deep democratization—not a process that is quick or consistent with any overall design, but one that reminds us of the fundamental questions of justice that make corruption worth worrying about in the first place. ■