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Accounting and the fight against corruption in Italian government procurement: A longitudinal critical analysis (1992–2014)



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ABSTRACT

In 1992, a political earthquake shook Italy when the corruption and fraud case, “Clean Hands” (“Mani Pulite”) exploded into the public eye, and a vast network of corrupt politicians, businessmen and bureaucrats was unveiled. The Italian bureaucratic apparatus was especially implicated in this expose, and it became evident that government procurement practices were shaped by an organizational culture of corruption. This paper develops a critical longitudinal analysis of the subsequent 22-year period to critically assess whether the subsequent introduction of accounting-based anti-corruption assemblages helped to curb corrupt behaviors.

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1. Introduction

In the lead article of this special issue on corruption, Neu et al. (2015) propose that accounting artifacts and inspection activities are two key components of any anti-corruption assemblage. These *illumination assemblages*, as they refer to them, have the potential to both make visible corrupt activities and to help construct disciplined subjects. At the same time, Neu and colleagues suggest that corrupt actors strategize around and with accounting artifacts, and thereby potentially block the visibility and force of such assemblages. The current research article picks up on these themes and uses the aftermath of the 1992 “Clean hands” corruption scandal in Italy to interrogate the possibilities and limitations of accounting-based anti-corruption assemblages in curbing corrupt behaviors.

When the corruption and fraud case, “Clean Hands” (Mani Pulite) (Della Porta and Vannucci, 1997) first came to light in 1992, it was impossible to foresee the magnitude and scope of its impact. The scandal profoundly affected a range of actors – politicians, business people and the Italian bureaucracy – and further, problematized the existing organizational culture surrounding government procurement practices in Italy. The fact that government procurement was (and remains) a site of significant corruption in Italy is common knowledge amongst national and international observers. Indeed, according to the 2013 Corruption Perception Index (CPI), Italy is ranked 69th – it is notably perceived as “more corrupt” than most other European countries (two of three of the “least corrupt” positions are held by European

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countries: Denmark is 1st and Finland is 3rd), in line with Romania and Kuwait, and apparently “less corrupt” than countries like Cuba, Ghana and Montenegro (www.transparency.org). Thus, contrary to general opinion, corruption is not only an issue in developing countries; it also plagues industrialized countries such as Italy (cf. Johnston, 2005), where government procurement spending accounts for an average of 20–25% of the total general government expenditures (OECD, 2013).

2. 1992–1997: the “Clean Hands” scandal

Monday, February 1992 – 5.30 p.m.

A thirty-two year old entrepreneur, Luca Magni, shows up at number 8 Marostica Street in Milan, at the office of Mario Chiesa, President of Pio Albergo Trivuzio. Magni is the owner of a small cleaning company, Ilpi in Monza, which serves the Trivuzio, a legendary retirement home and hospital established in the 1700s. Chiesa is a member of the Italian Socialist Party. . . Magni is received. He must give 14 million to the president, as an agreed kickback to a contract for 140 million. In a small pocket of his jacket, he has a pen that is actually a hidden microphone. His hand, gripping the handle of the briefcase, masks a covert video camera. . . As the entrepreneur calls at the home. . . a small team of police detectives halt the Trivuzio President, who realizes that he has fallen into a trap. “This money is mine,” he dares. “No, Mr. Chiesa, this money is ours,” reply the men in uniform. . . This is the beginning of “Clean Hands”—the beginning of the end of a political system. But, nobody, on that day, can even imagine it. (Barbacetto, Gomes, and Travaglio, 2012 – Preface).

The episode portrayed above triggered a scandal that radically affected the attitudes, general beliefs and everyday lives of the Italian people. To give a sense of the impact of the phenomenon: in 1992, the well-known economist, Marco Deaglio appraised that the costs of the “Tangentopoli” system (that is, the so-called “Bribesville”) amounted to around 10,000 billion lire (about to 5.2 billion euro), engendered between 150,000 and 250,000 billion of lire of public debt (between 77.5 billion and 129 billion euro) and resulted in interest on related government bonds (debentures) amounting to 15–25 billion euro (Travaglio, 2008). The affair also involved several arrests and sparked the investigation of a range of different actors – from leading figures of the main Socialist, Christian Democratic and Communist political parties (e.g. Bettino Craxi, leader of the Socialist party) to entrepreneurs and civil servants. Such functionaries were accused of crimes such as extortion, corruption, criminal conspiracy, association with organized crime and the receipt of stolen goods (Della Porta and Vannucci, 1997).

Charges of corruption were not something new in Italy. Starting in the 1980s, for example, there were a number of different inquiries into corruption but these inquiries had little immediate effect, since a series of maneuvers by the involved politicians, judges and business people blunted the force of the charges. However, a belated response occurred in late 1989 as changes to the penal code increased the power of judges to investigate corruption. In this new code, judges were no longer considered arbitrators but rather, detectives leading the inquiry of the judicial police force. They essentially became a central part in the trial and could, for example, obtain access to national bank account information. Further, a new International Strasbourg Agreement meant that judges could quickly receive foreign judicial assistance regarding international banking information (Corrias, 2006).

The aforementioned changes, along with the new possibilities provided by information technologies, facilitated a much quicker unraveling of the Clean Hands corruption network. Antonio Di Pietro, the Assistant Prosecutor at the time, recorded, filed and cross-referenced large amounts of data. In his recounting of the case, Di Pietro comments that, even during the trial, he was liable to turn to his computer to search the names of firms or individuals that were mentioned (Di Pietro, 1999).

As the scandal unfolded, it became increasingly apparent that corruption was both commonplace and habitual, in that politicians and other public officials were accustomed to using their roles, powers and information to further their own self-interest, at the expense of the public. As evidence of the system’s endemic corruption, we quote the famous speech delivered in the Italian Parliament on July 3rd, 1992 by Bettino Craxi, the leader of the Socialist Party and the most important political leader accused of corruption (Craxi, 1992):

A network of small and large corruption has spread around in the country, in the institutions and public administration life, which results in the decay of public life. [. . .] Unfortunately, also in regards to political parties, it is often difficult to identify, prevent and amputate infected areas, both because of the objective impossibility of adequate controls and, sometimes, because of the existence and prevalence of wicked logics. And so, in the shade of the irregular financing of political parties and—I repeat—as a consequence of the nature of the political system, corruption and bribery flourish, intertwined. These latter offenses must be defined, considered, proved and judged as such.

A deafening silence followed these words. The Parliament was aware both of the pervasive corruption inside the institutions and of the illegality of the financing system of the political parties.

Not surprisingly, the involved politicians, judges, political parties and business people acted to impede the investigation and any substantive institutional reform. For example, the involved politicians did not resign their office. Rather, they either argued that the guilt lay with other individuals who at that time played pivotal roles, or completely denied knowledge of the suspected acts. Furthermore, politicians who were active members of Parliament used legislative “immunity-from-prosecution” regulations to ignore the formal arrest warrants issued by judges.

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