



## Corruption: Classification and analysis

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### Abstract

Corruption demoralises government and weakens the whole endeavour of policy formulation and its implementation. It diminishes services and causes fiscal stress, but most of all it undermines trust and corrodes legitimate community expectations. Corruption takes many forms and is found in many contexts. This paper develops a framework for the analysis of corruption which identifies types, activities, sectors and places (TASP). With the TASP framework identified or suspected corruption in any setting can be analysed as a precursor to the controls and processes that are most appropriate for the control and modification of corrupt behaviour, which ideally can enhance public sector performance. The TASP framework assists in pinpointing the nature, location and context of public sector corruption, and illustrates more precisely where the risks of corrupt activity might arise. This paper demonstrates, with empirical work from New York City and the State of Victoria in Australia (Australia's second most populous state), that more precise classification and characterisation of the nature and types of corrupt activity is an essential precondition to the development and design of targeted anti-corruption measures.

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The questions that this paper seeks to address are what is the nature of public sector corruption in all its varieties, where might it be located (whether agency or place specific or across public and private sectors or otherwise) whether and how corruption may be measured, and what sorts of risks are perceived for potential corruption in public services.

Newspaper headlines in 2013 reported that Xi Jinping, soon to become Premier of China vowed to fight ‘tigers’ and ‘flies’ in his anti-corruption drive. “We must uphold the fighting of tigers and flies at the same time” he said, “resolutely investigating law-breaking cases of leading officials and also earnestly resolving the unhealthy tendencies and corruption problems which happen all around people.” (Guardian, Jan 22, 2013).

Across the Pacific Harvard law professor Lessig (2011) demonstrates that there are two types of corruption that shape American policy making. On the one hand there are the well known and observed phenomena of bribery, extortion, pay to play, misappropriation, nepotism etc. These are primarily in the realm of the “flies”, but not exclusively so. More pervasive and insidious, he argues is the dependence that legislators have on campaign donors and other stakeholders. The billions of dollars that come to Congress members and senators do not normally come with strict and specific strings attached, though there are cases when powerful interests are clearly favoured. There is a more insidious situation of congressmen not wanting to support policies or programmes that might upset their donors. This dependency on campaign funds and alignment with interests distorts the process, but there is no clear personal dollar gain for the congressmen, other than furtherance of their career. In essence Lessig argues (p. 234) it is not just the bad

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people who effect corruption, but the institutions that make it possible. The US Supreme Court insists on a high bar of proof as to the possibility of a specific ‘quid pro quo’ “in validating legislation dealing with limits on electoral campaign spending (Teachout, 2014).

This makes for a very difficult analytical situation for it is not appropriate to apply the same controls on the one hand to a municipal officer who harasses a street vendor, and extorts a payment so that the vendor can keep his cart in a good spot, as it is on the other hand to examine inducements to ensure that legislation can be written favourably to benefit a corporation or an industry.

Corruption exists in both rich countries and in poor countries, but the nature, extent and overall dynamics of corruption are respectively very different. In the literature we can find cases, mostly in poor countries, that show that corruption is a major factor in a wide variety of domains: water shortages in many arenas, illegal logging in pristine forests, justice administration compromised, health services unfairly delivered with people dying because of corrupt public policy decisions, educational opportunity denied, military procurement distorted, roads poorly constructed, and often going nowhere important, people unable to access clean water, telecommunications infrastructure that excludes many, appalling responses to natural disasters, corrupt regulatory behaviour in the extractive industries, man-made famine, just to mention the most obvious.

In rich countries the basic bribes that characterise so much of everyday life in poorer countries are not present, but where they are exposed there is strong public outrage. The syndromes of corruption, described by Michael Johnston a decade ago (Johnston, 2005) locate different corruption scenarios in different contexts.

Johnston shows that in the case of weak undemocratic state corruption there is little or no societal protection against corruption, and kleptocracy (rule of thieves), patronage and intimidation prevail. Political and economic institutions are weak and there are numerous examples of the unjust enrichment of family and friends of the leaders, not to mention pervasive bribery and extortion at all levels. Institutions are also weak in transitional states where there are weak or ineffectual state mechanisms of control, and thus corruption thrives. This is in contrast to mature state corruption where influence is more subtly traded, connections are made for a fee, and wealth is used to gain access to decision makers, which results in the sharing the spoils such as contracts, mining, energy or other natural resource concessions and favourable laws. Johnston has extended his analysis further (Johnston, 2013). In these rich countries influence markets and shades of grey weave their way through transactions, so much so that the tracking of Xi Jinping’s tigers is such a different activity to the swatting of flies.

In low corruption countries the more blatant aspects of petty corrupt behaviour are rare, and thus these countries rank high on the Transparency International Corruption Perception Index. In the top ten countries (Transparency International, 2014) the culture is such that corrupt behaviours of this sort would be immediately reported and the number of cases brought before the authorities is very small. The activity of “flies” is quite minor. Finland is one such country where corruption on the streets is negligible yet grand corruption (“corruption in the suites”) is much harder to identify as it is woven into the fabric of business and public–private sector dealings and is less likely to come to the attention of the authorities (Joutsen & Keranen, 2009). There are often debates about where lines are drawn, and what is “business as usual”, and what is acceptable and what is not. However, some activities are present in rich and poor countries alike, such as corruption in sport (Masters, 2015), corruption in policing (O’Hara & Sainato, 2015) which are analysed in the following pages.

Traditional analyses refer to petty corruption (flies), grand corruption (tigers) and “state capture.” Petty corruption is characterised by lower level officials who may have opportunities to do things that are wrong, such as using one’s office to falsify records that result in a person not having to pay a tax, and in so doing receive a kickback. They might fail to do things that one should do, such as a male police officer failing to issue a ticket to an attractive female driver who has been stopped for excessive speed. Or they might do something permissible, but purposely do it in an improper manner such as issuing a permit for an activity that meets the criteria, but allow it to come to the front of the line in return for a personal benefit or favour. Civil servants who engage in such behaviour, and who receive benefits other than their salary are breaching the trust of their office.

This is very different to the “grand corruption” so often described in the literature (Hellman, Jones, & Kaufmann, 2000; Johnston, 2005; Pope, 1995) where politicians manipulate the instruments of the state for their own personal benefit, and thus terribly distort policy, to the point they effectively ‘own’ the state and its institutions and resources.

Rather than officials shaking down citizens or kleptocrats dominating business and stealing the country’s assets, a “state capture” situations arise where legislation, formally developed and properly passed by the legislature or parliament, grants benefits in a corrupt manner. Outside interests not only bend state laws, but use their corrupt

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