Definition of Corruption

— abuse of public authority for private gain

  - illegal payment

  - public agent

  - avoid loss or procure benefit

Broad Classification

— collusive

— extortionary

Collusive

— shrouded in secrecy

— both bribe giver and taker benefit

— public loses money — contracts etc

indirect costs

pollution

poor quality work / service

eroded competition

Extortionary

— open

— citizen is a victim

— public agent benefits

— public loses ———— direct – money / cost

indirect costs – harassment, humiliation, delay, culture of corruption
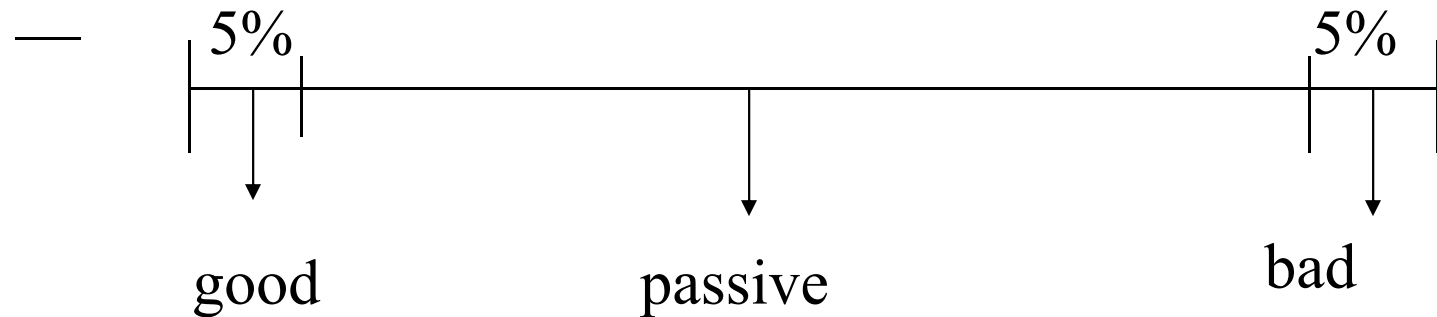
Two Alibis

— culture issue

— values issue

Culture Issue

— distinction between public domain / private domain

— more an issue of evolution / stage of political development

— all nations had similar problems
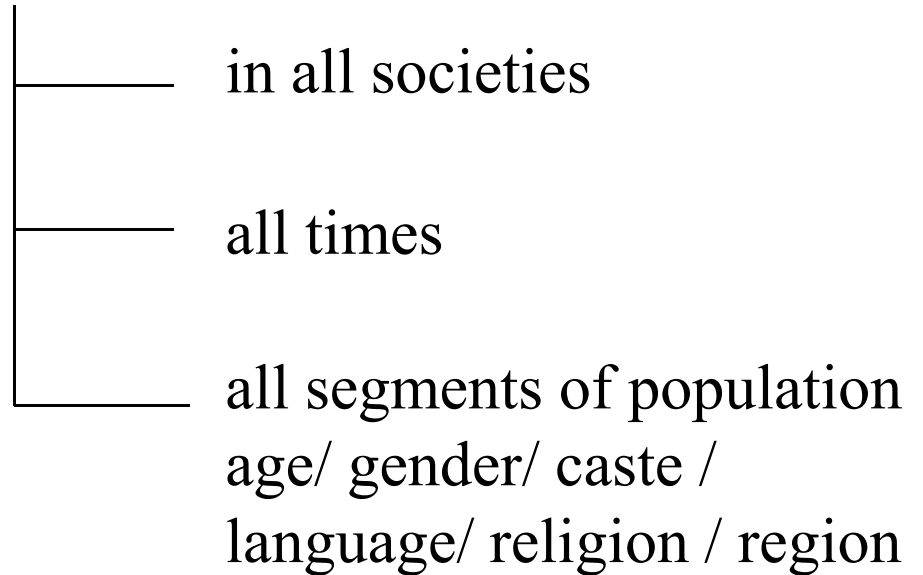
— institutional mechanisms change culture

Values Issue

— human nature vs. behaviour

— nature cannot be changed

Values

values are universal

          in all societies

          all times

          all segments of population age/ gender/ caste / language/ religion / region

Behaviour Changes with Risks and Rewards

— this insight is critical in fighting corruption

— high risk & low reward $\Rightarrow$ corruption is curbed

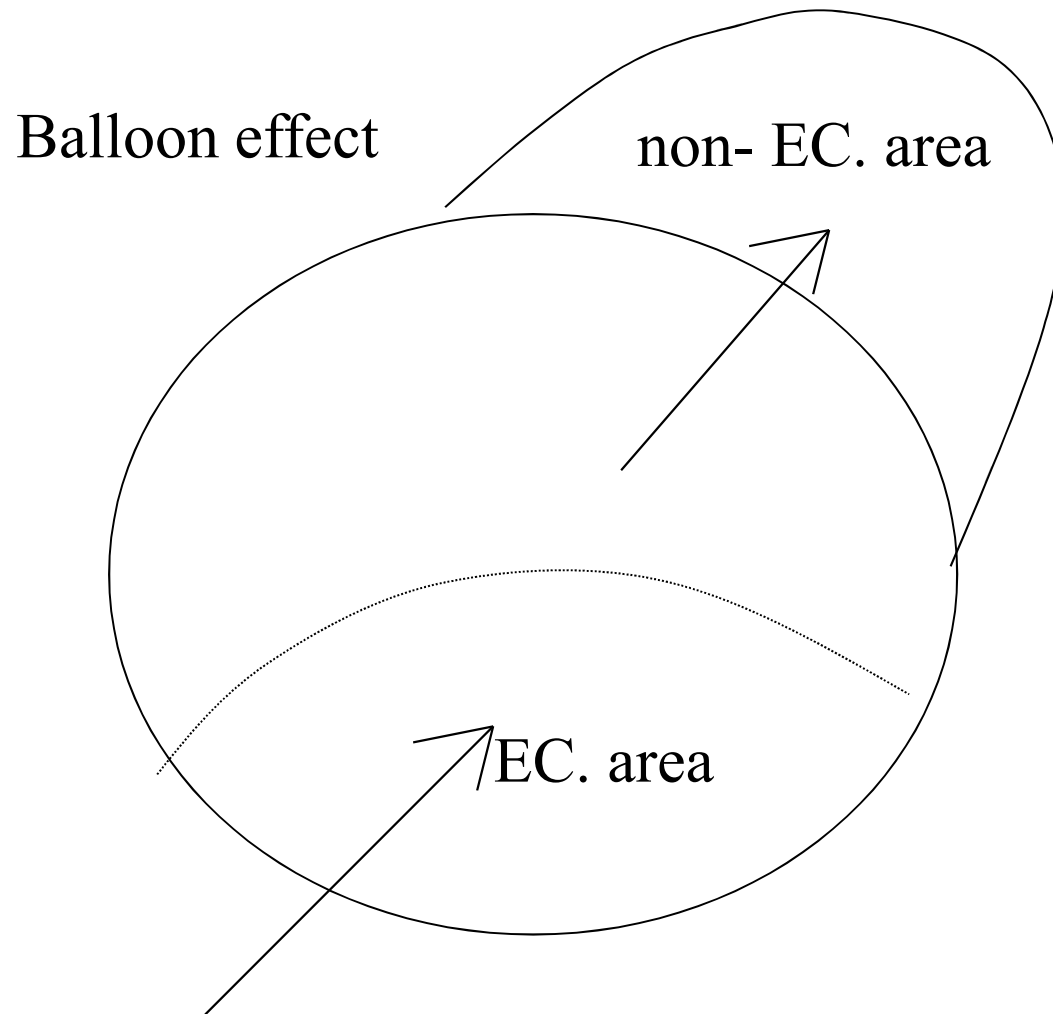— low risk & high reward $\Rightarrow$ corruption thrives

How do we Increase Risks & Minimise Rewards?

— fair competition – public scrutiny

— rule of law – liberty of citizens

— independent crime investigation

— transparency in public appointments

— effective judicial process

Is Economic Liberalization Enough?

— liberalization necessary, but not sufficient

— licence-permit-quota-raj (LPQ) dismantled

— replaced by liberalization-privatization-globalization raj
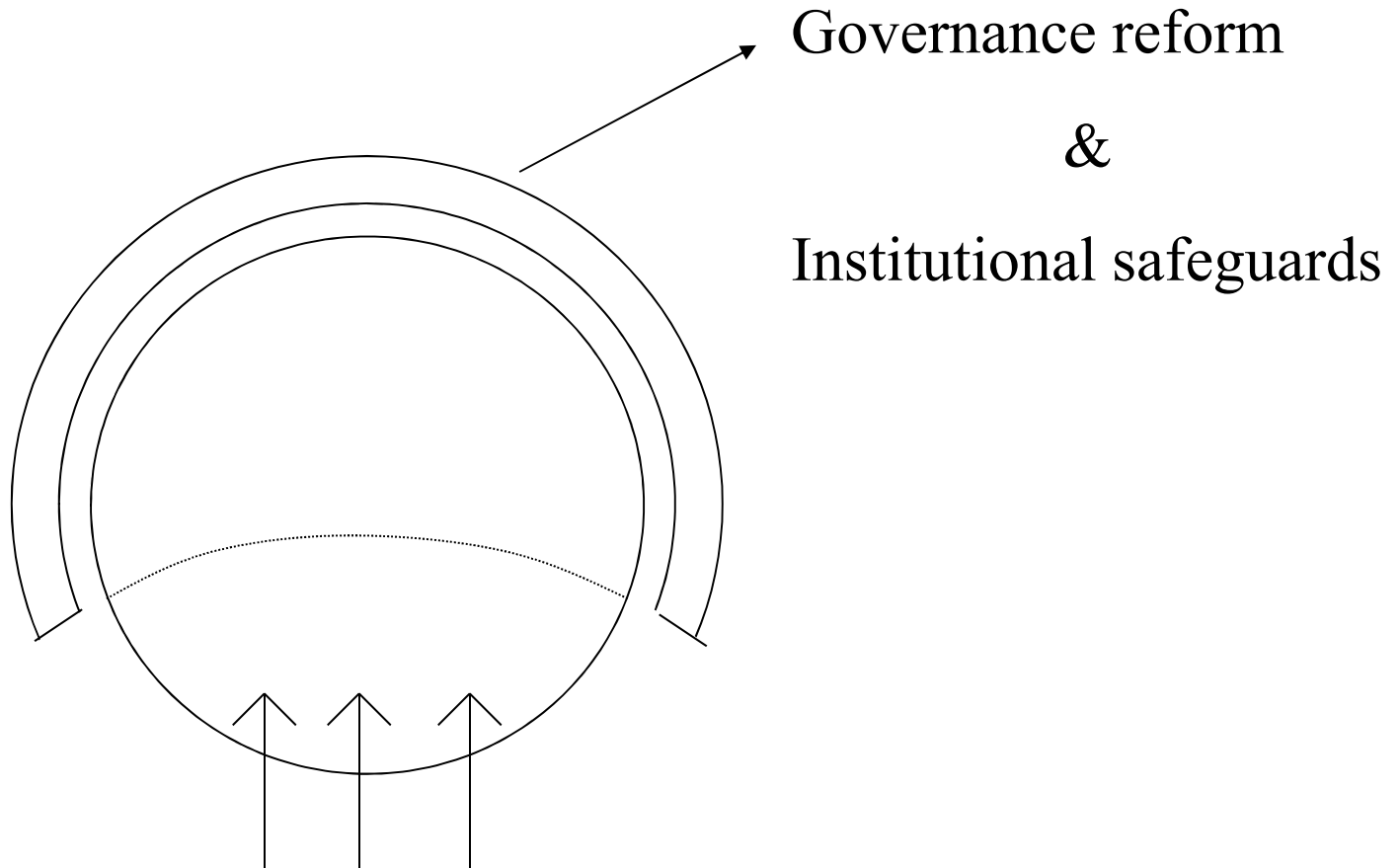
— corruption in economic fields on the decline

Corruption Increases Elsewhere

Balloon effect

non- EC. area

EC. area

Corruption Increases

— defense purchases

— one time corruption
> — PSU privatization

> — power purchase agreements with private power plants

— corruption in policing

— corruption in justice administration

— rise of criminalization and mafia

Answer: Barriers to Corruption

Governance reform

&

Institutional safeguards

Causes of Corruption

— unaccounted election expenditure

— centralization

— secrecy

— political control of crime investigation

— judicial failure

Election Expenditure

— legal limit for parliament Rs 1.5 million

              actual expenditure Rs 10 -50 million

— nation-wide expenditure (parliamentary + state leg)

              Rs 70 billion

— For illegitimate purposes

        — vote buying

        — hiring musclemen

        — bribing officials

Expenditure - India vs US

India 1999	US 2000

total Rs 70 bn
 	
    = $ 1.5 bn (at current
                 exchange value)
 	
    = $ 7.8 bn (at ppp)
 	
unaccounted & undisclosed
 	
illegitimate
	total $ 3 bn
	
	50% for issue advertising
	
	actual election exp. $1.5 bn

Indian expenditure is 5 times the US expenditure

Indian per capita income in PPP terms is 1/20th of the US

Consequences of High Unaccounted Expenditure

expenditure Rs 70 bn

↓

returns needed Rs 700 bn

↓

bribes through bureaucracy Rs.7000 bn

↓
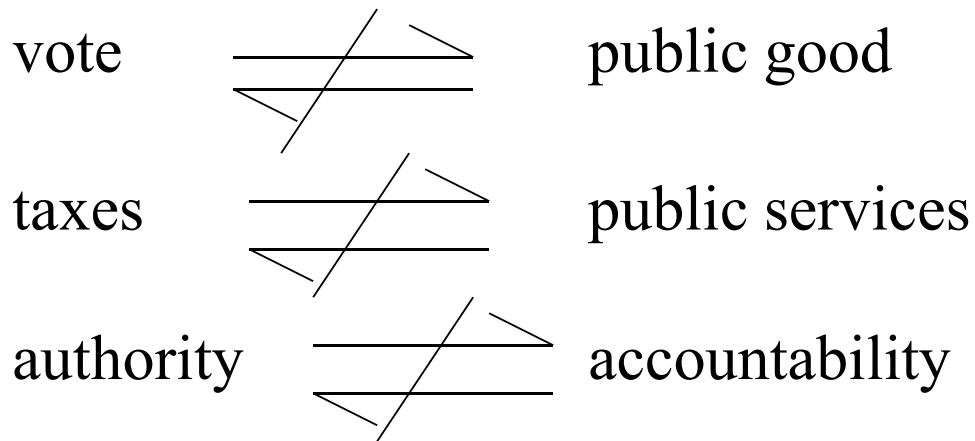
direct or indirect loss to public Rs.70,000 bn

Centralization $\Rightarrow$ Corruption

— one corrupt link in a long chain is enough

— accountability is diffuse

— people do not vote sensibly

— organized govt.. workers vs people

Why do people take money to vote?

In a centralized regime

vote ⟷ public good

taxes ⟷ public services

authority ⟷ accountability

change of governments does not change governance

people take money to vote to maximize short term gain

Government Workers

— India - population : 1000m

— workers in organized sector - 28 m

— workers in government: 20 m

— people vs employees iniquitous power relationship

— therefore people easy victims

Secrecy in Government

— obscure procedures

— secrecy in decision making

— non-disclosure of information

Crime or Corruption Investigation

— controlled by political executive

- charge sheets

- police placements

- launching prosecution

- dropping a case

Judicial Processes

— slow

—inaccessible

— expensive

How to Combat Corruption

Electoral reform

— disclosure

— incentive for funding

— severe penalties   eg. German law

Chancellor Kohl

— partial public funding

— PR instead of FPTP

Decentralization
&
Subsidiarity

— funds

— functions

— functionaries

— stake-holder empowerment

Other Steps

— right to information

— independent crime investigation

— judicial reforms

— ombudsman

Civil Society's Role

— collective

— informed

— assertion