CHAPTER 3: LITERATURE SURVEY ON CORRUPTION

3.1 Introduction

Corruption as a matter of scientific inquiry is a relatively new development. By 1957 the *Economist* found it ‘curious’ that so little attention was being given to ‘one of the most obvious gaps in general textbooks on economics or political science’ on what it termed the ‘unwritten section on graft’.¹ This observation had been confirmed a year earlier by Eric McKitrick of the University of Chicago, who noted that the analytical investigation of corruption ‘does not seem to present a subject of very intense interest to social scientists these days’.² Nearly a decade later, Colin Leys of the University of Sussex in England was complaining that ‘no general study in English has appeared’ and that the ‘systematic investigation of corruption is overdue’.³ Gunnar Myrdal wrote from a South Asian perspective that ‘it is almost taboo as a research topic and is rarely mentioned in scholarly discussions’ owing to what he terms ‘diplomacy in research’, although corruption was an issue often raised in public debate.⁴ He proceeded forthwith to break the taboo, as the lack of investigation was not related to any difficulty with the lack of an empirical basis for corruption research. Numerous other studies began to

¹ 15 June 1957.
appear, mostly in scholarly journals, as the reigning paucity began to give way.\textsuperscript{5} The approaches that were regnant during the 1960s, though, were never fully developed, owing to the lack of adequate data, and academic interest waned as a result.

The advent of the 1970s saw the rise of neo-Marxist approaches to the development debate as the issue of corruption remained largely neglected. If corruption was acknowledged, it was inevitably a ‘by-product of capitalist democracy and an intrinsically corrupt international capitalist system in which lower class groups are routinely and systematically exploited’.\textsuperscript{6} When such analyses began to decline in the 1980s as rhetoric was contradicted by observed patterns of living in socialist states, the situation changed again as the study of corruption received fresh impetus. Still, it merited a qualification like that by the world-renowned Robert Klitgaard: ‘The first thing that needs to be said is that corruption is a sensitive subject.’\textsuperscript{7} This was again a time that ‘any mention of bribery and corruption at international meetings would have been brushed aside’ as it was viewed to be ‘too value laden, too culture bound, too vague to be the subject of international debate’.\textsuperscript{8} Others, like Susan Rose-Ackerman, believed that a confrontation was needed with the basic fundamentals of political economy

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\item \textsuperscript{5} See the extensive collection of 58 essays on the subject of corruption that are reproduced in Heidenheimer, Political Corruption.
\item \textsuperscript{7} R Klitgaard 1988, Controlling Corruption, Berkeley: University of California Press, ix.
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in modern society and she had already begun the first of her elaborate works on corruption in the late 1970s.\textsuperscript{9}

By the 1990s, however, the situation changed dramatically. The study of corruption had created a ‘virtual explosion’ and spawned a ‘growth industry’, especially with economists from universities and financial institutions now analysing its causes and effects. Even more, it was now no longer being viewed as a phenomenon confined to developing countries, but incidentally present in liberal Western democratic systems of government as well. Some of the current research challenges in fact include the extent to which democratic institutions themselves, such as a traditional political party, might actually serve to stimulate corrupt practices.

A turning point was possibly the formation of Transparency International in 1993 as a new civil society coalition against corruption. This was followed by the president of the World Bank who, in 1996, firmly placed corruption at the centre stage as an issue of ongoing challenge for economic development. Instead of the ‘apathy, cynicism, and denial’ of the past, the World Bank, International Monetary Fund (IMF), and other international organizations were by 1998 ‘seeking to curb bribery and other corrupt practices’.\textsuperscript{10} No longer then would the concerns about governance and corruption be diplomatically or academically isolated as the impinging reality of globalisation, the end of the Cold War, and arrival of new technologies, notably the Internet, ushered in new ways of thinking,

understanding and living. The economic transformation of the states of the former Soviet Union, increased awareness of the negative impact and monetary costs of corruption, and the availability of numerous indicators devised from empirical studies have further caused the flood of writings to continue unabated. Some of these later studies have given greater attention to issues of prevention and control of corruption and will therefore be examined later in terms of their relevance to the South African strategy of fighting corruption.

Against the above background it is now possible to identify some of the most important authors who characterize the time in which they wrote, assess the impact of their contributions, and outline the nature of the arguments they have advanced to the corruption debate. To do this, I shall begin with what might be termed the ‘moralistic’ approach where corruption is recognised a priori as a human or social evil with no attendant benefits. Next I delineate the cultural approach in which corruption arises in the context of gift giving. I shall then discuss the functionalist or revisionist approach that was quite dominant in the 1960s and continues to fascinate some observers. In the following section I shall consider the arguments of the principal-agent-client model, which rose to prominence in the 1970s as an explanation of corruption. Next the public choice model is examined, particularly in view of its attempt to suggest ways and means of curbing corruption. Then I discuss some economic modifications of the functionalist model, which arose mostly in the South East Asian context of

11 The following two databases provide comprehensive details about the publications that have appeared over the past decade: http://www.worldbank.org/wbi/gac and http://www.transparency.org/publications/index.html
phenomenal economic growth, before concluding with a summary and evaluation.

3.2 Morals and Values

Corruption as a subject of academic discourse has not featured prominently until recent years, as mentioned above. Yet if and whenever it was under scrutiny, there have always been advocates of a moralising approach who have added to the debate from either a religious, behaviourist, communist or imperialist perspective. In each case the basis of finding corruption to be an anathema to society rested on an a priori approach that was value driven and not immediately related to cause and effect. For example, writing in the *African Communist*, a certain Toussaint claimed that communist leaders earn their reputation ‘through selflessness and incorruptibility in the period when they neither hold power nor stand on the threshold of power’ and that socialist experiences of corruption are ‘seldom driven by the pursuit of personal riches’\(^{12}\) While somewhat extreme, such a view is not contrary to what many Marxist and neo-Marxist scholars would have argued to be the inherent merits of socialism over against the flagrant distortions of capitalism. The absence of studies on the endogenous growth of corruption in socialist countries by such scholars is further evidence of their tacit acceptance of such rhetoric.

A greater silence on the subject of corruption is that exhibited by the theological fraternity over the past century. While the biblical injunction against bribery and corrupt practices might have been acknowledged, there has been no sustained
engagement with the issue in any ecclesial tradition. Sin, of course, has been the preoccupation of the Christian Church from its origins, but the elaborate essays on the subject would usually cover matters of sexual conduct. As Noonan concluded: 'It was as though at a certain level of theological sophistication or at a certain level of class consciousness it was agreed that everyone knew what constituted bribery, that everyone knew that bribery was wrong, and that no problems existed worthy of debate or discussion.' This should not imply that space and time were not made for the condemnation of corrupt behaviour, however. The Ghanaian Catholic Bishops Conference has over time called on institutions to 'crusade against bribery and corruption first from within and then fan outwards towards secular society', while in 1994 the larger African Synod of Bishops blamed greedy African politicians for having embezzled public funds. The presence of moral indignation in the absence of academic engagement in the religious domain can be seen as symptomatic of a moralising approach that may also be traced to ideological dispositions as well, as we shall see next.

In explaining the prevalence of corruption in developing countries, particularly the new states of West Africa, Ronald Wraith and Edgar Simpkins were emphatic that corruption had ‘nothing to with traditional values, with the African personality, or with the adaptation to Western values,’ but everything to do with pure avarice: ‘the wrong that is done is done in the full knowledge that it is wrong, for the concept of theft does not vary as between Christian and Muslim, African and

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14 See unpublished paper delivered by Bishop Charles G Palmer-Buckle on 'The Church’s Role In The Fight Against Fraud' at Uganda Martyrs University in Nkozi on 8–10 April 1999.
European’. This approach could also underlie the methodology of measuring corruption in the sense that the occurrence as such is bad, irrespective of the consequences. Furthermore, as Leys has shown, these writers ‘conceive of the problem as one of seeking in British history the causes which led to the triumph in Britain of this point of view, with its attendant advantages, in the hope that African and other developing countries might profit from the experience of Britain’. The fundamental problem with this approach is one of comparative morality where one set of values relative to one country is regarded as superior to others. Wraith and Simpkins were obviously referring to the cultural pressures common in African societies where rights of individuals are superseded by those of the extended family, and where duty took precedence over laws. Civil servants might be expected to share the benefits of their positions with members of their immediate family and ethnic group, as such an obligation was culturally accepted. Corruption may therefore involve an ostensibly immoral act with strong normative undertones. This is a matter to which we must turn next.

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16 Leys, What is the Problem about Corruption, p 32.
3.3 Culture

In the African tradition, and many other cultures as well, leaders were expected to be kind and compassionate towards their people, especially in times of sickness or distress. Thus, for example, public officials would be held responsible for making ‘decisions based on personal and not impersonal norms’.\textsuperscript{17} Africans might even end up condemning corruption when it did not benefit them personally or their relatives, and might condone it when it brought them some benefits. John Mbaku has also drawn attention to the African practice where young men and women who, upon migrating to the urban areas in search of employment, would rely on their more established relatives there to provide food and shelter in the new surroundings.\textsuperscript{18} Even more, if one such relative held a senior civil service position, he or she would be expected to provide job security as well. Such age-old cultural expectations can so easily nurture the practice of corruption in a new political environment, as Monday Ekpo has also shown. He writes that the Nigerian traditional practice of gift-giving is ‘not merely a mechanism of manipulation and influence’ but ‘is embedded in a network of social alliances and status differences’.\textsuperscript{19} Thus gift-giving is essentially ‘a self-perpetuating system of belief and action grounded in the society’s value system’ and explains the prevalence of bureaucratic corruption in Nigeria to a large extent.\textsuperscript{20} One’s culture establishes bonds of reciprocity between people that are then held sacred for all times.

\textsuperscript{18} Ibid, p 65.
\textsuperscript{19} Ibid. See Introduction of part II, p 158.
Of course the above cultural dynamic has often degenerated into extreme forms of neo-patrimonialism where kleptocracy, personal rule and ‘prebendalism’ have resulted. Its core features include ‘personal relationships as the foundation of the political system, clientelism (sometimes also nepotism), presidentialism (political monopolization), and a very weak distinction between public and private.’ Yet it remains important for any act of corruption to be understood ‘with reference to the social relationships between people in historically specific settings. A transaction is now a legal one, now illegal, depending on the social context of the transaction.’ Legal frameworks assume that corruption involves an objective act committed in neatly defined parameters and this is mostly not the case. Corruption, it seems, is fuelled because in Africa the functioning of the administrative machinery that is imported entirely from Europe is expected to produce similar outcomes while scant attention is given to the possibility of conflicting norms. Often the colonial legacy of inefficiency, authoritarianism, strong centralized bureaucracy and poor service delivery was merely transposed into the normative framework of the new public services. Britain is thus blamed

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21 Derived from prebend; prebendary: ‘In most English medieval cathedrals and collegiate churches, endowments were divided into separate portions in order to support members of the chapter. Each portion was known as a “prebend,” because it supplied (praebere) a living to its holder, who also became known as a “prebendary”, in J D Douglas (ed), The New International Dictionary of the Christian Church, Exeter: Paternoster, p 797.


23 Ibid, p 66.

24 Ibid
for contributing to corruption in colonial Africa by allowing a situation to develop where ‘power was given to those who clamoured for it most, with the consequence that few well-trained administrators and officers, whose indoctrination with the impersonal bureaucratic virtues had made some progress, were surrounded by half-baked newcomers, and became subordinated to the politicians who had reached the top by demagogy and huckstering’. The distrust, frustration, dishonesty and complacency of one bureaucratic system were merely replaced by another whose officials knew no better. Corruption can therefore be seen as the result of a clash of cultures which cost a society must bear in order to advance to a new dispensation.

3.4 Structural Function

It is possible to extend the above argument, in terms of the function that corruption might serve in a society, to one that recognizes its positive effects and redeeming qualities over against its costs during periods of national development. Robert Merton provides a theoretical framework for this approach when he analyses the ‘structural context’ of American city politics in the 1900s and traces the rise of the ‘machine’ and ‘boss’ as alternative sources of authority. First, he shows how agents of the city machine would provide a humane and personal service for claims of assistance for all and sundry by bypassing cold bureaucratic procedures in return for votes. Second, the ‘boss’

served to grease the wheels of business by providing safe passage and protection through the unfriendly regulatory and unrestricted competitive environments. The third function of this alternative power base was to serve as a medium to achieve social mobility, particularly for new immigrants or minority ethnic groups who sought to ingratiate themselves among the established elites in their quest for money and success. Lastly, the racketeer of illegitimate business was also able (in return for kickbacks, of course) to ‘fix things when necessary with appropriate government officials’ and, like the legitimate businessman, strive to meet market demand and maximize his gains in the sale of goods and services.\(^{27}\) If all of the above constituted corruption, it still appears to have been able to improve the ‘administrative capacity of governments, encourage entrepreneurship, thereby promoting economic growth and, by incorporating the disaffected and the poor, foster social integration’.\(^{28}\)

In a related functionalist mode, if corruption is about buying favours from bureaucrats responsible for a government’s economic policy in the interests of administrative flexibility, it can be extremely useful, according to Nathaniel Leff.\(^{29}\) Economic development is made possible by a higher rate of investment which requires a minimum risk of uncertainty. Corruption arises as a form of insurance to guarantee expected outcomes but also to direct economic activity when governments pursue wrong policies. It can also promote competition and efficiency by providing quick access to scarcities like import permits, foreign


\(^{28}\) Ibid

exchange and government contracts. Corruption can even enable an economic innovator to introduce his product or service before he has had time to establish his political credentials. Governments of underdeveloped countries, says Leff, should not be assumed to have as their goal the promotion of economic policies that are beneficial to the global market. But he reveals his neo-colonial outlook by dubiously assuming, on the other hand, that developed countries would normally pursue sound economic policies for sustainable development amidst low levels of corruption.

Samuel Huntington, also a Harvard University professor, similarly viewed corruption that is caused by the expansion of government regulations as having a stimulating effect on economic growth. In his words, it ‘may be one way of surmounting traditional laws or bureaucratic regulations which hamper economic expansion’ and can at times ‘contribute to political development by helping to strengthen political parties’.  

Corruption is again the ‘lubricant’ that overcomes red tape and should be seen as ‘a product of modernisation’ if countries are to progress in their political consciousness. The moral implication here is that economic benefits are viewed as the highest good. More recently, Osterfeld has argued for the advantageous role that ‘expansive corruption’ can play in improving economic development by removing bottlenecks from the bureaucracy and making it more responsive to entrepreneurial needs. In his scheme bribery can also serve to accelerate the participation of the citizenry in national

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development. Yet, as Ekpo observed in the Nigerian context for instance, the functionalist views of the positive benefits of corruption have little or no value because of their ‘myopic selectivity’ and ‘empirical irrelevance’.\textsuperscript{32} Morocco, with a monarchical regime, has also been used to show that corruption actually helps maintain bureaucratic inefficiency instead of removing it and contributes to the development of a privileged class of bureaucrats at odds with the masses.\textsuperscript{33} Furthermore, its relevance for the United States is questionable as ‘a majority of the evidence seems to be against its application’ there.\textsuperscript{34}

### 3.5 Principal-Agent-Client

One of the first uses of the principal-agent-client conceptual scheme was that by Edward Banfield in an exploratory paper he had published in 1975.\textsuperscript{35} In his quest to identify the principle variables of corruption in governmental agencies of the United States, he used the following frame of reference involving the principal

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and his agent to describe the classic corruption scenario in a bureaucracy:

The agent is the person who has accepted an obligation (as in an employment contract) to act on behalf of his principal in some range of matters and, in doing so, to serve the principal’s interest as if it were his own. The principal may be a person or an entity such as an organisation or public. In acting on behalf of his principal an agent must exercise some ‘discretion’; the wider the range (measured in terms of the principal’s interest) among which he may choose, the broader is his discretion. The situation includes ‘third parties’ (persons or abstract entities) who stand to lose or gain by the action of the agent.\textsuperscript{36}

Banfield also mentions the presence of ‘rules’ as a contingency factor that may or may not involve sanctions and penalties and which may or may not be enforced. He is convinced that it is much less difficult for private firms to exercise restraint on employees guilty of corruption than it is for a government that is inhibited by civil service regulations.\textsuperscript{37} Banfield’s assumption, of course, is that more rules create more opportunities for bypassing them, hence more corruption and more calls for deregulation. More rules also make it more difficult to dismiss someone guilty of corruption. While recognizing the deterrent effects of monitoring and unfavourable publicity towards corrupt behaviour, though, he seems to view any extension of governmental authority as necessarily facilitating the spread of corruption.

Following Banfield, but in her attempt to develop a more political and economic approach to corruption, Susan Rose-Ackerman found the standard approaches
of political science to be inadequate. She started on the premise that the ‘delegation of decision-making authority is a fundamental organisational technique. Whenever an agent is given discretionary authority, corruption provides a way for the objectives of higher authority to be undermined’.\footnote{Ibid, p 2.} The principal-agency-client relationship therefore becomes her unit of analysis as her concern embraces all payments made to agents that are not passed on to the principal. Moral costs in illegal transactions are also mentioned, as ‘the importance of personal honesty and a devotion to democratic ideals’ are critical to effective representative government.\footnote{Ibid, p 218.} Use of this model, as Robert Klitgaard has observed, opens up several possibilities where ‘Illicit activities will be greater when agents have monopoly power over clients, agents enjoy discretion, and accountability is poor. Clients will be most willing to pay bribes when they reap monopoly rents from the service provided by the agents.’\footnote{Klitgaard, Controlling Corruption, p 74.} The honest principal at the top of the hierarchy, as is the usual assumption, has in the meanwhile to ‘analyse the extent of the various kinds of corruption, assess their costs and possible benefits, and then undertake (costly) corrective measures up to the point where the marginal benefits in terms of reduced corruption match the marginal costs of the corrective measures’.\footnote{Ibid} By this token, the optimal level of corruption is therefore not zero in as much as the maximum level of anti-corruption effort is
not equal to infinity. We shall return to this important point in chapter 4.

This model, also known as incentive theory, has been used in the case of modern Russia to show, contrary to the functionalist approach discussed above, that corruption can be costly to economic development. In the presence of a weak centralized government, foreign investors shy away in the face of a deluge of bribery demands from a host of bureaucracies competing for ‘territoriality’. However, if agents are allowed to compete in the provision of the same services, the likelihood of corruption will be reduced if such agents cannot simply steal. This approach has provided a conceptual framework for many other scholars seeking to analyse the role that public officials can play in reshaping the bureaucracy with incentive schemes and disciplinary measures that would ultimately lead to reduced corruption. These include changes in the system of rewards (especially higher wages) and penalties, the process of selecting agents, information gathering, and restructuring the principal-client-agent relationship itself. Such changes are closely related, of course, to the main problem which the principal has in this model, namely different objectives to the agent and lack of information about the agent’s character and activities. In a tax bureau, for example, such a disadvantage can have a substantive and spiralling effect. Another limitation to the application of this approach is that it does not explain why in situations with similar wage incentives and monitoring mechanisms corruption levels vary (as between two municipal tax bureaux in the same state). Neither does it offer clues as to why agents behave in noble ways even when the

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43 Klitgaard, *Controlling Corruption* (p 72f), notes some of these attempts.
possibility of detection is low.\(^4^4\) Wage incentives are nonetheless a factor that may have to be borne in mind in determining one’s approach to fighting corruption.

### 3.3 Public Choice

Public choice uses the techniques of economics to understand what governments actually do rather than recommend what they should do.\(^4^5\) Marketplace behaviour was always viewed by economists as being motivated by private interests, while political scientists believed that politicians behaved according to their definition of the public interest. Separate understandings evolved to explain human behaviour: a self-interested individual seeking personal benefits over against a public actor intent on maximizing societal welfare.\(^4^6\) For the public choice perspective, however, private interest pressures are seen as central to the process of policy formulation, and no longer simply as an obstacle to the adoption of better policies. The fundamental premise of public choice theory is that all individuals involved in the policy process, especially politicians and bureaucrats, are seen as ‘rational actors attempting to improve their own welfare, rather than some abstract notion of social welfare’.\(^4^7\) All political actors seek to maximize their personal benefits in politics as well as in the marketplace — voters, taxpayers, interest groups, bureaucrats, and so forth. Government

arises as a form of ‘social contract’ among individuals who agree to obey laws for their mutual benefit and support the state in exchange for protection of their own lives, liberty and property. Politicians are less interested in advancing principles than in winning elections, and will for this reason fail to offer clear policy alternatives in election campaigns. In the public choice school of thought, the ‘natural tendencies’ of politicians and bureaucrats are to expand their power base in society, and will, as a result, exaggerate the benefits of state spending and understate their costs.

Explanations from public choice scholars attribute the existence of corruption primarily to ‘a lack of competition in either or both economic and political arenas’. Government officials usually enjoy high levels of discretion in regulating economic markets and this gives them the ability to extract bribes from the private sector. Greater government intervention results in the risk of corrupt behaviour increasing. To reduce corruption, attention must therefore be given to reducing levels of governmental intervention in the economy and the number of officials with discretion over economic policy. Susan Rose-Ackerman, in her more recent landmark study, argues strongly for competition among both politicians and bureaucrats to minimise corruption. If politicians face the prospect of not being returned to office in democratic elections, or if civil servants are placed in a competitive situation in terms of services they offer, the incentives for malfeasance will be lower. Higher wages also play a critical role in this

48 Dye, Understanding Public Policy, p 35.
49 Ibid, p 37.
50 Montinola & Jackman, Sources Of Corruption, p 3.
51 Ibid
52 See Rose-Ackerman, Corruption and Government.

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approach as they serve to provide the bureaucrat with job security which he or she will not ordinarily want threatened. It is also believed that democratic legislators will be more willing to pass anti-corruption legislation than authoritarian leaders, and that the ‘re-election’ imperative actually lowers the imperatives for bribes.\textsuperscript{53} Increased levels of transparency in monitoring public conduct ensure that officials will minimize their corrupt practices.

In the African context, John Mbaku has given expression to the application of the public choice model, particularly as a strategic alternative to previously failed attempts to tackle corruption. Following economist Douglas North, he maintains that a society’s incentive systems are determined by its institutions, which in turn ‘shape the behaviour of individuals who participate in political and economic markets, and determine the outcomes that are generated by markets and other forms of socio-political interaction’.\textsuperscript{54} To change market outcomes, one must first change the relevant incentive systems. Thus, ‘to increase productivity, innovation, and efficient allocation of resources in an economy’, one must change from rent-seeking and related opportunistic behaviour to one encouraging entrepreneurial activities that are wealth generating.\textsuperscript{55} If corruption as opportunistic behaviour continues to flourish, it implies that the existing rules of society are ineffective and in need of reform. Therefore efforts to control corruption must involve ‘a negotiated change of the rules that results in the alteration of the existing incentive structure’.\textsuperscript{56} Constitutionalism then becomes

\textsuperscript{53} Montinola & Jackman, \textit{Sources of Corruption}, p 3.
\textsuperscript{55} Ibid, p 161.
\textsuperscript{56} Ibid, p 162.
an almost divine imperative as the scramble begins to get a society to adopt a ‘self-enforcing constitution’ or ‘social contract’ that is mutually beneficial to all the citizens.\textsuperscript{57} Furthermore, if no respect is accorded to such values as personal choice, right to private property, and freedom of exchange, any reforms effected are unlikely to succeed in curbing corruption.

The experience of a number of developing countries would seem to confirm the view that the absence of competition and heavy state intervention in an economy tends to facilitate the spread of corruption.\textsuperscript{58} Pranab Bardhan has reviewed the issue of incentive pay structure for civil servants, and finds it to be more complex than is suggested by public choice theorists. In the case of controlling corruption in a customs agency, for example, he argues that ‘the value of paying reward to customs officials should be assessed by their effect on the open-market price of the product subject to import controls’.\textsuperscript{59} Having a strong regulatory framework in place for the market economy to function at optimal level is also not the same as having guarantees that laws and property rights will be respected, as disrespect quickly leads to disloyalty and theft among public officials. Much of the public choice literature assumes that all states are predatory, but this does not help explain why corruption is more prevalent in some countries than in others with similar patterns of state intervention. The same countries might also differ with regard to levels of productivity and economic growth despite being equally corrupt.\textsuperscript{60} State intervention to support certain types of industry and service, or to

\textsuperscript{57} Ibid, p 165f.
\textsuperscript{58} Montinola & Jackman, \textit{Sources of Corruption}, p 3.
\textsuperscript{60} Ibid
control imports and exports, or fund large public works contracts all provide opportunities for further corruption, but if the state intervenes to ensure fair competition internationally (as the USA does with its anti-trust legislation against Europe and its protectionist trade measures against Japan), or to insist on a minimum wage, affirm the right of trade unions, or provide welfare services, such intervention might help to enhance ‘the normative strengths of the “good society”, and thus help to restrain or to offset corruption’. Public choice principles for economic growth may therefore be contingent upon their application in only certain contexts therefore.

3.7 Economic Revisionists

The revisionist or structural function approach of establishing the possible benefits of corruption as discussed above (see 3:4) was initially common among political scientists. Up until the 1997 Asian financial crisis, some economists also flirted with this view, particularly in the context of the South East Asian rapid economic expansion in spite of, or because of, corruption. Indonesia might have been used as an example where institutional corruption and a low degree of uncertainty were more constructive for growth than rampant corruption and a high degree of uncertainty. Vito Tanzi of the International Monetary Fund provides a useful survey in this regard and mentions some of the main contributors to this position whose views we shall mention briefly. On the

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61 Girling, Corruption, Capitalism and Democracy, p 8.
62 Tanzi, Corruption around the World. Those reinventing the functionalist approach would include P J Beck & M W Maher 1986, A Comparison of Bribery and Bidding in Thin Markets, Economic Letters 20:1; D Da Hsiang Lien 1985, A Note on Competitive Bribery Games, Economic Letters
question of time, it was argued by some that it held different values for different individuals, depending on one’s income and opportunity cost of time. Those who valued time the most would be willing to pay the highest bribes to jump the queues and have their decisions made quickly in the interests of efficiency. Corruption can serve as a ‘useful political glue’ by allowing politicians to secure funds that can in turn be used to keep a country stable for growth. Or, bribes can be used to supplement low wages and thus lower the government’s tax burden, which is supposed to favour economic growth. In the realm of procurement, it was considered possible that the most efficient firms would be those willing to bribe the highest, and so government projects would be tendered to them for efficiency’s sake.

Tanzi has cogently countered these arguments, though. First, he indicates that rules are not created out of context or monolithic to a society. Rules that might ostensibly favour the practice of bribery are often intentionally devised to facilitate such payments and more rules can easily be created so that power always resides with those who enforce them. Second, bribe-payers are not necessarily

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63 Tanzi, *Corruption around the World*, p 44.
64 Ibid
the most efficient but those who are most successful at rent-seeking. The higher
the bribe, the higher the rate of return must be. The most productive individuals
will be diverted into rent-seeking activities rather than being focused on socially
productive activities and corruption will arise as a cost to society. Third, payment
of speed money to save time can also have the effect of slowing down the whole
process (through time spent on negotiating a bribe for instance) and thus causing
inefficiency. Political glue and wage supplements, while seemingly useful in the
short time, can easily evaporate in the longer term particularly in times of high
inflation and political turmoil.

In an interesting study, Philippe Le Billon of the University of British Columbia in
Canada has examined the role of corruption in armed conflicts.65 He mentions
that violent forms of competitive corruption between factions ‘fuel war’ by
rewarding belligerents, while the ‘buying-off’ of the same belligerents can
facilitate peaceful transition.66 Billon shows that ‘sticks’ (such as economic
sanctions) rather than ‘carrots’ have been more frequently used in conflict
resolution and believes the key challenge is ‘to shift individual incentives and
rewards away from the competition for immediate corrupt gains’.67 His solution is
to place public revenues under international supervision during peace operations.
Corruption in situations of armed conflict does not necessarily lead to ‘an
historical path of developmental failure’ but can be ‘the most efficient means for

65 P Le Billon 2003, Buying Peace or Fueling War: The Role of Corruption in Armed Conflicts,
Journal of International Development 15: 413-436.
66 Ibid
67 Ibid
individuals or groups to cope with a political economy of high uncertainty, scarcity and disorder through the proper cultivation of social relations’.\footnote{Ibid, p 424.} Fighting corruption is not advised as it ‘may lead to anarchy rather than economic efficiency by destabilizing the existing hierarchy and order’, while leaving corruption intact ‘can sustain a degree of stability and even peaceful consensus when it is politically savvy and economically benign’.\footnote{Ibid} Billon’s argument is one that might have held sway for life in apartheid South Africa when petty corruption would have helped disenfranchised civil servants, usually at the bottom rung of civil service, to survive economic hardship when some of their bureaucratic practices seemed questionable.

### 3.8 Summary and Conclusion

It is possible in the light of the above discussion on approaches to the study of corruption to conclude that the world has come of age in understanding corruption. One may also decipher an evolutionary thread that has prevented the global debate from degenerating into an amorphous heap of speculative innuendo. This thread began with a religiously orthodox and ideologically loaded conception of who was corrupt and where such culprits usually lived. But it soon progressed to one that recognised the universality of the practice, particularly as it originated in many cases from traditional cultural forms and norms of society. As the world began to increasingly modernize, some countries that were making
the transition struggled and found alternative ways of coping with changes being imposed on them as their citizens scrambled through corrupt means to find their place in the sun. But, as people soon began to see, corruption had become a common way of cheating your boss who knew little about you or your actual job, especially if you worked in a large organisation.

Previous attempts to control corruption were failing until experts started to realize that institutions and rules should be targeted for reform in a competitive environment. Some cases of corruption ‘successes’ might have resurfaced, but these were short-lived. The thread had in some way now come full circle back to the notion that corruption is usually wrong, not inherently so, as some moralists believed, but because of the consequences it has for the sustainability of the market economy which is the heartbeat of the developing world. It is now very much a threat for all of humanity wherever it exists and the challenge of ‘fighting’ corruption in all its forms is increasingly part of most national strategies for good governance and political stability.

It needs to be mentioned that this literature survey should not be viewed as comprehensive by any manner of means. The attempt involved was intended to rather highlight views that have been shared by more than just one author from one particular setting and which have been routinely mentioned in the global debate on corruption. However, since the focus of this study is on public sector corruption in South Africa, it is more important to delve deeper into the web of documents, reports, surveys and other papers which give one an empirical basis to proceed. It should be noted at this juncture again that the literature on the
subject of corruption is not always discussed in a thoroughly scientific or analytical frame for reasons which we discussed earlier. Nor has it been possible to include in this survey approaches that may have informed the debate from the South African perspective, as these will be mentioned when the prevalence of corruption before and after 1994 is discussed.

Most of the approaches examined in this survey have contributed in no small way to helping us understand how corruption has been studied and observed throughout the world. The literature largely reflects the attention given to the subject by university scholars, but it also shows evidence, though to a lesser degree, of contributions by public officials and development consultants. The extent to which their views are useful in helping one devise and monitor a strategy to counter corruption is another related matter to which we shall return later. As this is not a historical study, no restrictions have been placed on the date of publications used. Since the notion of ‘fighting corruption’ in South Africa has only arisen as a governmental challenge for policy intervention since 1997, it is not mentioned anywhere before that time and thus most of the references for the case study will reflect this. The above survey has provided an important precursor of the extent to which the matter of costs and impact in fighting corruption has been mostly neglected. While the reasons for such neglect will be discussed later, it should be noted here that the paucity of studies on the question of costs and impact in any context of the world is quite a matter of concern.