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

5% 5%

good passive bad
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**

<table>
<thead>
<tr>
<th>India 1999</th>
<th>US 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>total Rs 70 bn</td>
<td>total $ 3 bn</td>
</tr>
<tr>
<td></td>
<td>$ 1.5 bn (at current exchange value)</td>
</tr>
<tr>
<td></td>
<td>$ 7.8 bn (at ppp)</td>
</tr>
<tr>
<td>unaccounted &amp; undisclosed illegitimate</td>
<td></td>
</tr>
</tbody>
</table>

Indian expenditure is 5 times the US expenditure

Indian per capita income in PPP terms is $1/20^{th}$ 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 ⇒ 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
— 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