

# CORRUPTION

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## History and Background

The word corruption is often heard in economics. Corruption is the misuse of resources or power for private gain. According to Transparency International, corruption is the abuse of entrusted power for private gain. It is classified depending on the amounts of money lost and the sector where it occurred. Corruption comes in various forms such as bribery, embezzlement, fraud, collusion, extortion, patronage, nepotism and facilitation payment. Political corruption is the unlawful misdirection of governmental resources or actions that occurs when government officials abuse their entrusted powers for personal gain. It comes in two basic forms: first, a government official is bribed to do a part of his job and second, a government official demands a bribe to do something illegal. Besides political corruption, there exists bureaucratic corruption where corruption occurs during the implementation of public policies. It involves bureaucrats and public administration staff who entail corrupt acts.

Whether it is political or bureaucratic corruption, corruption is what it is; a misuse of resources; an unfair act which benefits only the ones involved. Corruption, legal or illegal, rots the system from the inside out. Looking into the past, corruption has seemed to be inevitable. The first dynasty of ancient Egypt (3100-2700 BC) noted corruption in its judiciary (Biswas, 2018). Corruption also existed in ancient China and ancient Greece. With the increase in global economy,

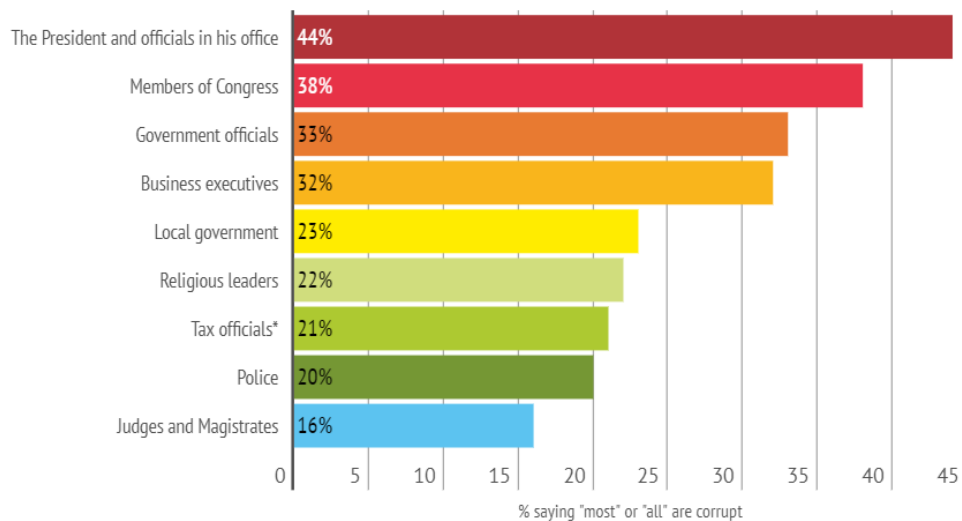
corruption has also expanded which has made it harder to estimate the magnitude of corruption. Corruption pervades all levels of society from low-level public servants accepting petty bribes, to national leaders stealing millions of dollars.

## Theories and Findings

### Corruption in the US

The United States has lower corruption rate than other countries. However, US does face a wide range of domestic challenges related to the abuse of power. According to a survey by Transparency International called the US Corruption Barometer 2017, it showed that about 44% of Americans believe that corruption is pervasive in the White House and 7/10 people believe that the government is failing to fight corruption. The survey asked about the degree of corruption in nine influential groups including the national government, public officials who work at the service and those who are not part of government but who often wield strong influence.

## HOW CORRUPT ARE DIFFERENT US INSTITUTIONS AND GROUPS IN SOCIETY? - USA 2017

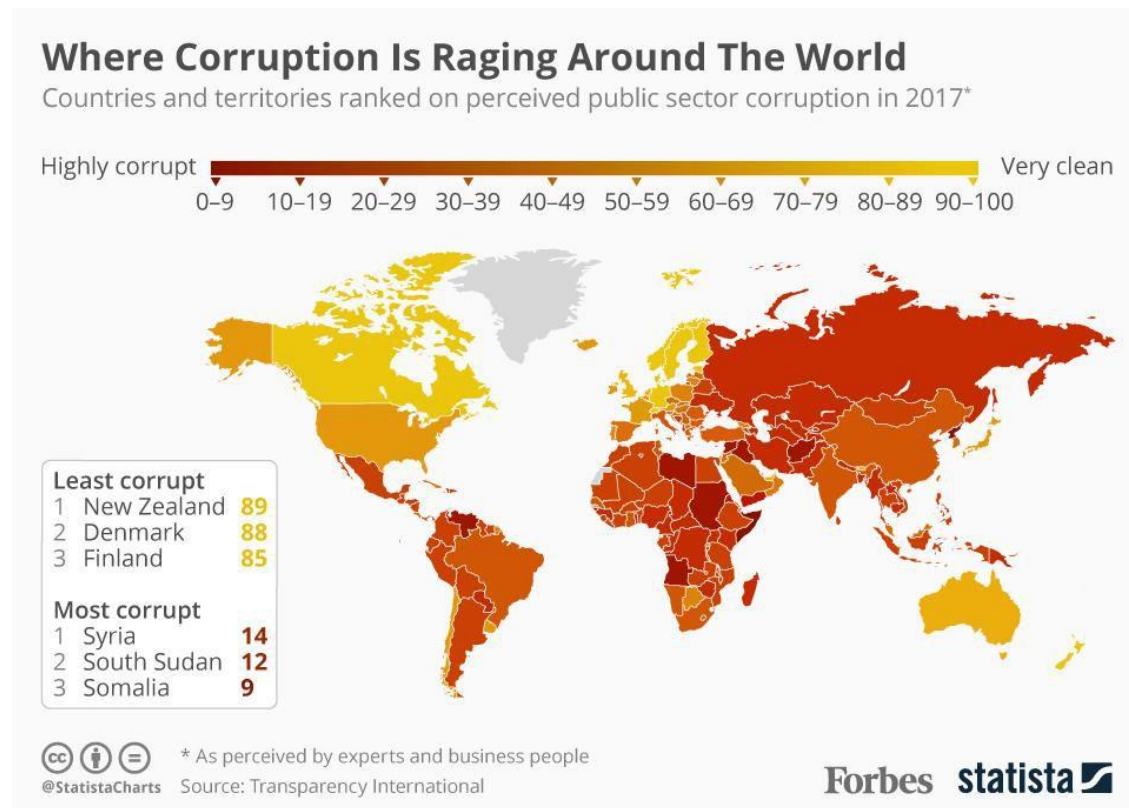


*Figure 1, Source: Transparency International*

The findings also reveal that people are now more critical of government efforts to fight corruption. The United States has been a world leader in its efforts to combat bribery and corruption, however, there are countless examples of investigations of officials who are involved in the act. Money laundering, abuse of office, extortion and commercial bribery are prohibited by law. However, there are loopholes in those laws, and officials still manage to practice corruption through those loopholes. This implies that corruption cannot be eradicated just by the laws, people should be held accountable for it.

### Corruption in the World

Corruption is not just limited to the US or in the developed nations, corruption exists all around the globe. Corruption has become a lifestyle in many countries.



As we can see in the graph, corruption is widely spread in the eastern and south American countries. The World Bank estimated that international bribery exceeds US\$1.5 trillion annually, or 2% of global GDP and ten times more than total global aid funds (Biswas, 2018). Brazil's greatest corruption scandal, codenamed Lava Jato (carwash), unearthed a vast and extraordinarily complex web of corruption. Directors of Petrobras, Brazil's national oil company, used a slush

fund to pay politicians who had appointed them to support the election campaigns of the governing coalition. Lava Jato captivated politicians and business leaders from 11 countries, ranging from Brazil to Peru. Eventually, the case was solved, and the people involved faced charges. This is an example of an act of corruption in one country that evolved and included a handful of other nations into it.

Similarly, another case of corruption involving national leaders is the corruption scheme in the national customs service in Guatemala by President Otto Perez Molina. Recently in 2017, South Korea also impeached its president, Park Geun-Hye for bribery and abuse of power.

In 2017, it further reported that globally one in four people had paid bribes in the previous 12 months to access a public service (Tortajada, 2018). Asian countries such as India, Bangladesh and Nepal pay bribe in order to get something done. Even in government works, the more bribe you offer, the faster your task will be done. In developing countries, corruption acts as a barrier for economic growth as it constrains poverty alleviation. Every country is dealing with one or the other type of corruption, whether it be small or big.

## Effects of Corruption

Corruption rarely has a positive side to it. While we may assume that paying “extra” to get the job done in time might be an advantage, there are many effects of

corruption. Corruption slows down the economic growth of a nation as it makes it hard for businesses to thrive. Additionally, corruption also breeds inequality.

People involved in corruption would prefer those who would offer them more valuables than to those who offer less. Doing so, people who cannot afford to offer more will have less opportunity to grow. This way corruption helps in making the rich richer and poor poorer. If the government is corrupt, people won't trust them, and they would compete to control the government in order to make money for themselves. Instead of trying to get rid of corruption, people would try to take over the government not to help their country but to make more money for themselves. Countless studies around the world show how corruption can interrupt investment, restrict trade, reduce economic growth and distort the facts and figures associated with government expenditure. But the highest concern of corruption is how it increases the levels of poverty and income inequality.

## Measures to avoid corruption

Corruption is not an easy fight to win over. Corruption has been deeply rooted in our society that we have to keep on digging in order to get rid of it. There are numerous organizations all around the world that attempts to fight against corruption. Controlling corruption requires strengthening institutions and promptly upholding the rules of law. Effective law enforcement is essential to ensure that the

corrupt are punished and break the cycle of impunity, or freedom from punishment or loss. Successful enforcement approaches are supported by a strong legal framework, law enforcement branches and, an independent and effective court system. Many nations have achieved greater impacts when reforms focusing on improving financial management we introduced. For example, Transparency International Sri Lanka promotes transparent and participatory budgeting by training local communities to comment on the proposed budgets of their local government (Transparency International, 2016). Additionally, government openness, freedom of press, transparency and access to information has helped countries curb corruption. Similarly, initiatives to monitor communities has also helped in some cases to detect corruption, reduced improper allocation of funds and improved the quality of public services.

## Conclusion and Reflection

When the word corruption comes to mind, the first thing we think about how bad corruption is. Corruption is deeply rooted in our society. Like I mentioned in the previous sections of the paper, the effects of corruption can be seen in our society. Corruption always favors the rich as the rich has more money to offer. Corruption runs against capitalism. It twists the level playing-field; it guarantees extra returns where none should have been had; it encourages the misallocation of



economic resources; and it destabilizes the proper functioning of institutions. It is widely accepted that corruption hinders economic growth of a nation as it misuses the funds allocated for development.

Apart from hindering growth, corruption also leads to distrust amongst the people and the government. It puts the civil and government institutions in doubt, tarnishes the entire political class, and, endangers the democratic system and the rule of law. We can see that a lot of developing countries face corruption. The reason why developing countries are still on their path to development for years is because corruption is keeping them away from growth. If a person or a group wants to open a business in a developing country that has a corrupt government, they would need to bribe many people to start up their company. Businesses in those nations would have to engage in bribery in order to compete with their competitors. Even investors in those countries would be reluctant to invest in a business that cannot offer a whole lot because it is relatively easy for their investments to be wiped out through corrupt acts. There are a lot of cases where companies have gone out of businesses not because they were not serving quality goods or services but because they were not able to put up to the corruption that existed.

Law and justice is the base for development, justice, and civil society, but in developing countries corrupted people uses law to justify their illegal behaviors.

For instance, In Burma when there are legal cases, people can pay themselves out of the cases. Furthermore, in other developing countries there are many cases that government officials cooperate with gang groups and Mafias. For instance, in Iraq they steal and sell petrol in black market, mostly ministers, Parliament members and other government officials are involved in this business.

As a business personnel, we should look at the positive and negative sides of everything. While making a decision, we try to choose the option that maximizes the greater good. Similarly, when it comes to corruption, even though the negative consequences are numerous, there exists positive side to corruption as well.

Corruption can be used as a method to unite different political, ethnic, religious, and economic groups. Regardless to their differences, when there is corruption, conflict actors and people with different opinion and different political background come together and uphold their relationships to preserve their economic advantages. Thus, corruption is the key player in managing some of the problems in developing countries. Another advantage of corruption is transferring wealth and capital from upper class to the lower class. It can help people to find alternative way to secure their lives. So, some people can simply survive through corruption. If a public service office takes a lot of time in completing a task, bribing the official's money would make them do the work faster, which in a way acts as an advantage.

Giving Bribes also work effectively in both private and public business. In developing countries, the government is weak to fulfill the demands of people. Besides, there are large scales of employers who don't abide by their duties making things difficult to their clients. However, bribery and corruption facilitate things. In the other word, you will get what you have paid for in a very short time and without any difficulties. In business perspective, corruption could motivate investment. According to the International Crises Groups, bribes were given to the insurgent groups in Kabul to guarantee security insurance for the development projects. So, here it can help business and continuing private and public activities. In countries like those, corruption is legal.

In a nutshell, corruption is dangerous. Despite of the few advantages that it provides, it causes many problems. On one hand, corruption gets things done, but on the other, it causes a lot of other issues. I believe that as a responsible citizen, we should fight to end corruption rather than contribute to it. It is easier to fall into the trap and perform a corrupted act than it is to refrain from it. However, getting things done should not be the main concern of the business; getting things done properly and ethically should be the main concern. This way, not only the businesses remain fair and equal, it will also create an environment for the nation as a whole to be fair. There are ways to end corruption, but those methods will take hundreds of years just because how deeply corruption runs in the blood of the

nation. The magnitude of the effect of corruption depends on which part of the world we are in and accordingly, businesses in that area should work towards growth. Some might prefer corruption to grow whereas a lot of people would rather prefer a fair system. Corruption has become a way of living for some people and I think that is because people have no other ways to survive than to get succumbed into corrupted acts. Nevertheless, we may not be able to get rid of corruption, but we surely can try to reduce the corruptions that take place.

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