

# Rethinking Corruption in India

HS8.401

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Monsoon 2025

# What is Corruption? Definitions and Frameworks

## Module 1

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# What Makes Something Corrupt?

## Possible Sources of “Corruption”

- **The Act:** Is corruption **in what is done?**
  - Legal definitions focus on the **act of breach**
  - Penal Code definitions of bribery, embezzlement, fraud...
- **The Intent:** Is it corrupt **because of the purpose?**
  - Self interest v/s public good
  - Key idea in moral and ethical frameworks: intention
- **The Person:** Is corruption tied to **who does it?**
  - Think: Powerful v/s marginal, vulnerable actors. Is the same act judged differently?
  - Caste, Class, Party affiliation change perception..
- **The Institution:** Is it corrupt because of **where it happens?**
  - Bureaucracy – Politics – Corporate
    - Some forms appear ‘normalised’
  - Electoral finance v/s election gifts

# Four Definitional Frames

<b>Frame</b>	<b>Focus</b>	<b>Who defines corruption?</b>	<b>Example</b>
<b>Legal</b>	Act	State, judiciary	Bribery, tender fraud
<b>Moral</b>	Intent	Society, media, civil society	“Unethical” use of position
<b>Economic</b>	Effect	Economists, markets	Market distortion, rent-seeking
<b>Political-Social</b>	Relationship	Anthropology, political theory	Patronage, kinship-based favouritism

# Legal Institutional Definitions

Corruption is the **breach** of legal **norms** or fiduciary **duty** by individuals in public or private positions.

- Embedded in penal codes, anti-corruption laws, administrative guidelines
- Bribery, Fraud, Nepotism...
- Enforced through anti-corruption bureaus, courts, international conventions
- Law reflects the **biases of the State** (not neutral).

# Political Definitions

Corruption is the **subversion** of the democratic **process** or public **trust** for private or partisan gain

- Weakens accountability and transparency of **institutions**
- Delegitimise political authority (or does it reinforce it?)
- Short-circuits separation of powers
- Corruption important element in electoral politics, media discourse, and social activism
- “Corruption” becomes a **floating signifier**; vague but powerful

# Sociological Definitions

Corruption is a **contested category** that reflects social norms, moral economies, and power asymmetries in a given society.

- Corruption is embedded in community **norms** and social structures
- “Corrupt” acts as a normative idea
- Challenges the universalism of legal and moral definitions
  
- Risks normalising injustice and the harm of corruption

# Economic Definitions

Corruption is the use of **public office for private gain** in ways that **distort market** efficiency and resource allocation.

- Focus on rent-seeking, market distortion, transactional illegality
- Based on **rational-actor model** (assumes that corrupt actors weigh costs and benefits)
- Link to poor regulatory enforcement, regulatory capture, govt interference, monopoly/duopoly
- Ignores power and norms, reduces complexity of social relations to rational economic logic, assumes neutrality of market

# What is Black Money?

Black money refers to income or capital that is **unreported** to public authorities and hence untaxed or illegally obtained / spent. It often **circulates outside formal accounting systems**.

- Key Dimensions
  - Illegality
  - Tax evasion
  - Unaccounted use
- Is black money always corrupt
- How does black money work within the economy? What are its functional and normative roles?

# Shadow Logic of Capital

- Unaccounted by **not absent**
  - Evades documentation and taxation but is fully integrated in political and economic circuits
- Part of formal politics
  - Black money underwrites political legitimacy, from campaign finance to rent-seeking
  - **Not outside state power, but its hidden transcript**
- Dematerialised
- Why the moral panic?
  - Focus on black money **shifts the blame** on the weaker parts of the political and economic relation
  - Hides structural aspects

# Corruption is Unregulated Capitalism

- Not an aberration
  - Corruption is **the feature, not a bug** of market economy
- Political Economy of **Evasion**
  - Reflects the ways in which capital resists or circumvents public control
- Instrument of accumulation
  - It helps quicker, deeper, more flexible capital accumulation and circulation
- Power and Hypocrisy
  - What is labelled corruption often **reveals a political struggle** between elites and emergent actors, or within ruling elites

# In Summary

“In a capitalist society, corruption is not outside the system. It is part of how capital accumulates, circulates, and escapes control. **Corruption is the political economy of unregulated accumulation.**”

“Corruption is not a moral deviation but a reflection of how power actually functions in society.”

- Corruption is not an exception but the **system's internal contradiction**; it is one of the motors which run our political economy, sustain our social structures, and scaffold our personal and professional relationships
- This course moves from definitions to histories to structures
- Students will not get answers but will be trained to ask better questions

# Corruption as Capital Accumulation

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# What we will do

- Distinguish between wealth and capital
- How capital accumulation happens
  - Primitive Accumulation
- How capital accumulation continues
  - Extended Reproduction of Capital
- Modern State's dual role of enabler and regulator of capital
- Corruption and Black Money

# What is Capital

WEALTH	CAPITAL
May Lie Dormant for long without losing value	Must be circulated constantly otherwise will lose value and evaporate
May be for use or for display	Always aims for profit; mere display destroys it
Not inherently exploitative	Built on constant extraction of surplus value

- When does wealth become capital?
- Both are stores of dead labour
  - Yet different

# Capital as Process

“Capital is self-valorising value”

- Capital is value that generates more value by being invested in production.
- **M->C->M'**
  - M = Money (initial capital)
  - C = Commodities (labor power + means of production)
  - M' = More money (original capital + surplus value)
  - This cycle shows how capital is reinvested to generate surplus value, which is then reinvested again. That's the “self-valorising” part—it grows itself through continuous reinvestment and exploitation of labor.
- Capital is not a thing, but a process of constant growth
- Constant growth requires constant reinvestment

# Where does Profit come from?

- Labour produces value beyond what it is paid
- Imagine a factory
  - Each worker produces goods worth Rs. 5,000/day
  - Each Worker is paid Rs. 500/day
  - Difference is surplus value (Rs. 4,500/day/worker) which worker created but didn't receive
- Profit is unpaid labour
  - To increase profits, the proportion of wages to total value produced has to be reduced
- Accumulated profit = capital = long term unpaid labour (dead labour)

# Extended Reproduction

- Extended reproduction is what makes capitalism dynamic. It's not just about making things, but about making more things, faster, and cheaper, by reinvesting profits.
- Workers create surplus value
- Capitalists reinvest part of that surplus into
  - More raw materials
  - Better technology
  - More labour
- Leads to larger-scale production, more commodities, expanding markets, more profit.
- Explains economic growth under capitalism
- **Constant, unending growth** is the bedrock of capital-*ism*

# Primitive Accumulation

- Historical process by which capitalism emerged.
  - Means of production (land, tools, and resources) were **privatized**
  - **Common resources** were privatized
  - Creating a class of people who had nothing to sell but their labour.
- Bootstrapping phase of capitalism
  - First step in birth and development of capitalism
  - It is a **non-economic method** to create capital
- Drawing on wealth and other forms of surplus, or free labour, or free natural goods, to create capital
- Examples
  - Enclosure of common lands, forests, waters in Europe and Asia
  - Atlantic Slave trade and Pirates
  - British Land Revenue System in India and the colonial triangle of trade
  - Caste and Patriarchy

# Not a One Time Event

- Primitive Accumulation is not just historical but persistent
- Access to
  - Domestic Labour
  - Nature and its bounty; commons
  - Social Infrastructure: Can include friendships, kin networks, but also caste and privileges of social discrimination
- It needs the '**technology**' of the Modern State for wealth to be turned into capital

# Modern State

- Liberalism and Regulation
- Establishes **Rule of Law** and Public Order
  - Individual liberty and equality before law
- Guarantees **Contracts, Markets, Rights**
  - Rights of individual include right to property
- Abstract **citizenship**
  - Not just humans but corporate entities
- Free and equal citizens
  - Interact in the public sphere and in the market
- If State guarantees everything, then it needs control over everything

# Formal and Visible

- Modern State brings all social relations and economic relations into the public sphere
- Legislates and provides legitimacy to them
- Makes them formal
- By making them visible to the State and its institutions
- Informal sections / sectors are those outside the State purview
- Formal is an **unstable category**

# The Contradiction

- Can capital grow without limits / controls
- Same State that **supports and nurtures** capital...
- ...**also regulates** it
  - Taxation
  - Anti-Monopoly and unfair trade practices rules
  - Banking regulation
  - Labour laws
  - Environmental regulations, etc
- State has to be ‘neutral’ and serve the public good

# Crisis of Regulation

- Capital Pushes Back
- Seeks to Avoid
  - Taxation
  - Labour laws
  - Regulatory Compliance costs
- Uses
  - Shell Companies
  - Lobbying
  - Electoral Bonds
  - Black Money (money hidden from State)
- Corruption is Capital's **strategy of dealing with the modern state**

# What is Black Money?

- Unaccounted Capital
- Hidden to avoid tax, scrutiny, regulation
- Not always illegal, but always **invisible** (to the State)
- Circulates and is **present in all sectors** of the economy

# Summarising the Discussion

- Capital needs the State to emerge, sustain, and grow
- State needs to regulate capital to enable the above
- Capital depends on the State but also wants to escape it
- Corruption and Black Money are capital's response to State control
- State's legitimacy is both weapon and constraint

# Formalisation and State Control

- What does ‘formality’ mean for the **middle class / working poor?**
- Formalisation = visibility to the State
  - Licensing, paperwork, taxation, surveillance
- Imposes **regulatory burden on those with limited capacity** to comply
- Middle Class
  - Petit Bourgeois
  - Torn between taxes, compliance, regulations, and surveillance
  - To grow capital and assets with limited means of compliance
- Working poor
  - Unable to negotiate complex of laws, rules and regulations
  - Bureaucratic systems which exclude or delay rights / entitlements

# What is Informality

- Informality ≠ illegality; nor simply the absence of paperwork
- What is informal depends on **who is looking** (visibility)
  - State
  - Law
  - Society / Religion
- The **formal/informal divide is not fixed**; it is constructed and often strategic

# In/Formal to Whom?

- Informality is always **relational**
- Informal to the State: unlicensed, untaxed, undocumented
- Informal to the Law: beyond judicial enforceability, not necessarily unjust
- Informal to Capital: uncontracted, unregulated, unpredictable

# What is the State

- Two Visions
- Social Contract Theory
  - State is a **voluntary compact** to protect life, liberty, and property
  - Provides rules and legitimacy for living together
- Class Domination Theory
  - State emerges to **protect private control of social surplus**
  - Instrument of the ruling class to secure its property and power

# Social Contract State

- Premise is security, freedom, legality
- Individual freedom traded for collective security
- State guarantees fundamental rights, backed by enforcement
- Legitimacy derives from rule of law, equality and consent of the governed

# Class State

- State meant to enforce power of ruling class
- State is not neutral but a **tool to sustain economic and political interests** of that social class which controls social surplus
- Capital needs to enforce contracts, property
  - The ends of Law and Order
- Equal rights are an **illusion meant to generate legitimacy**

# Informality Revisited

- Informality is exclusion and refusal
- Social Contract sees informality as deviation and failure to comply
- Class Theory sees informality as refusal to come under laws which benefit capital; survival strategy of poor and middle class
- Informality is both
  - A form of **autonomy**
  - A form of **absence**

# Weapon of the Weak

- Informality as quiet resistance
- Informal practices are not chaotic, they are tactical
- Refusal to register, to pay tax, enter formal contracts
- Absence from legibility/ visibility by the State and formal institutions
- Everyday acts of autonomy
- Can be moral and political choices, not just criminal

# Formalisation as State Control

- Making lives legible: for whom, and why?
- Formalisation means documentation, data, taxation
  - But also surveillance and discipline
- What is seen as **efficiency by the State**
- Can be experienced as dispossession and **oppression by the weak**
- Informality, by keeping lives and livelihoods outside State legibility and visibility, can often protect the weak and vulnerable
- **Strategy of survival**

# Petty Corruption

- Bribe as **negotiation not theft**
- Bribes as access fees
  - But also social / political gate-keeping
- State is present, but overwhelming and unreliable
  - Bribes make it work informally
- Lower level State Functionaries often underpaid, overworked, unsustainable responsibility
  - Expected to “manage” the system informally
- The Model (State) frays at the margins: broken, capricious and loose
- Corruption at this level **sustains the State as much as undermines it**
- Moral Economy of reciprocity, kinship, negotiation at local levels

# Two Informalities

- Informality ≠ Elite Evasion
- Elite Corruption is about accumulation of capital outside public oversight
- Subaltern Corruption is about breaking minor laws to survive, protect informal livelihoods and bypass exclusion

	<b>Elite Informality</b>	<b>Subaltern Informality</b>
Purpose	Escape regulation	Survive regulation
Actor	Capitalist, politician	Worker, petty official
Means	Shell firms, black money	Bribes, informal contracts
Moral Language	“Innovation”, “entrepreneurship”	“Corruption”, “cheating”

# All Corruption is Not the Same

Type of Corruption	Actor	Motive	Scale	State's Role
Elite / Big-ticket	Capitalist, politician	Evade regulation, hoard surplus	Large	Enabled or ignored
Petty / Everyday	Worker, petty official, small enterprise	Access rights, sustain livelihood	Small	Criminalised

# Neo-Liberalism

- Emerges as a political project in the 1970s-80s
- Argues that **state control**, taxes, public ownership, regulations **distort markets**
- Calls for deregulation, privatisation and fiscal austerity by State
  - Less State control over, and regulation of, Capital
- Entrepreneurship framed as Freedom
  - Fancy word for **Capital evading State control**
- Taxation framed as Theft
  - Avoiding redistribution of social surplus
- Corruption framed as **inefficiency**
  - Which corruption

# Breaking Rules Good!

- Ease of Doing Business
  - Measure of how much public control there is over capital
- Business Innovation
  - Ways to work the legal grey areas to reduce oversight and compliance
- Black Money is a result of State control over ‘entrepreneurship’ which ‘ease of doing business’ and ‘business innovation’ overcome
- Remove black money by changing definitions
  - When taxes are lowered or changed
  - When regulations are water-down
  - When public oversight is reduced

# Karl Polyani

## Embeddedness of the Economy

- Economy is not autonomous
  - Embedded in social, cultural, and political relations
- In pre-market societies, economic activity is governed by reciprocity, redistribution, and social obligation
- Market capitalism dis-embeds the economy from society, creating tension and social disruption
- **Relevance to corruption**
  - What is deemed 'corrupt' often reflects the clash between embedded and dis-embedded systems of exchange

# Joseph Schumpeter

## Creative Destruction

- Capitalism advances through **cycles of innovation** that destroy old structures and create new ones
- Economic dynamism involves **displacing existing institutions**, sometimes outside formal legal structures
- ‘Corruption’ may be part of this **disruptive process**
  - Old rules bypassed for new economic arrangements
- **Relevance to Corruption**
  - Informal or rule-breaking activity can be the **precursor** to systemic economic transformation

“Behind every charge of corruption lies a battle over who gets to control capital, and who / what must remain visible to the law.”