CORRUPTION AND POLITICAL DEVELOPMENT: A COST-BENEFIT ANALYSIS*

J. S. NYE
Harvard University

"Private Vices by the dextrous Management of a skillful Politician may be turned into Publick Benefits."

—Bernard Mandeville, 1714

I. THE STUDY OF CORRUPTION IN LESS DEVELOPED COUNTRIES

Corruption, some say, is endemic in all governments.[1] Yet it has received remarkably little attention from students of government. Not only is the study of corruption prone to moralism, but it involves one of those aspects of government in which the interests of the politician and the political scientist are likely to conflict. It would probably be rather difficult to obtain (by honest means) a visa to a developing country which is to be the subject of a corruption study.

One of the first charges levelled at the previous regime by the leaders of the coup in the less developed country is "corruption." And generally the charge is accurate. One type of reaction to this among observers is highly moralistic and tends to see corruption as evil. "Throughout the fabric of public life in newly independent States," we are told in a recent work on the subject, "runs the scarlet thread of bribery and corruption . . ." which is like a weed suffocating better plants. Another description of new states informs us that "corruption and nepotism rot good intentions and retard progressive policies."[2]

Others have reacted against this moralistic approach and warn us that we must beware of basing our beliefs about the cause of coups on post-coup rationalizations, and also of judging the social consequences of an act from the motives of the individuals performing it.[3] Under some circumstances Mandeville is right that private vice can cause public benefit. Corruption has probably been, on balance, a positive factor in both Russian and American economic development. At least two very important aspects of British and American political development—the establishment of the cabinet system in the 18th century and the national integration of millions of immigrants in the 19th century—were based in part on corruption. As for corruption and stability, an anthropologist has suggested that periodic scandals can sometimes "lead to the affirmation of general principles about how the country should be run, as if there were not posed impossible reconciliations of different interests. These inquiries may not alter what actually happens, but they affirm an ideal condition of unity and justice."[4] However, the "revisionists" who echo Mandeville's aphorism often underestimate tastes for moralism—concern for worthiness of causes as well as utilitarian consequences of behavior. There is always the danger for a corrupt system that someone will question what it profits to gain the world at the price of a soul. The purpose of this paper is less to settle the difference between "moralists" and "revisionists" about the general effect of corruption on development (although a tentative conclusion is presented) than to suggest a means to make the debate more fruitful. After discussing the problem in the usual general

* The author is indebted to Samuel P. Huntington, Leon Lindberg and Robert Erwin for reading an earlier version of this paper.

[1] C. J. Friedrich, *Man and His Government* (New York, 1963), p. 167. See also "Political Pathology," *The Political Quarterly*, 37 (January–March, 1966), 70–85.

[2] Ronald Wraith and Edgar Simpkins, *Corruption in Developing Countries* (London, 1963), pp. 11, 12. K. T. Young, Jr., "New Politics in New States," *Foreign Affairs*, 39 (April, 1961), at p. 498.

[3] See, for example: Nathaniel Leff, "Economic Development Through Bureaucratic Corruption," *The American Behavioral Scientist*, 8 (November, 1964), 8–14; David H. Bayley, "The Effects of Corruption in a Developing Nation," *The Western Political Quarterly*, 19 (December, 1966), 719–732; J. J. Van Klaveren in a "Comment" in *Comparative Studies in Society and History*, 6 (January, 1964), at p. 195, even argues that "recent experience in the so-called underdeveloped countries has most vividly brought home the fact that corruption is not a mass of incoherent phenomena, but a political system, capable of being steered with tolerable precision by those in power."

[4] Max Gluckman, *Custom and Conflict in Africa* (Oxford, 1955), p. 135.

terms of possibility, we shall turn to more specific hypotheses about probability.

This paper is concerned with the *effects* of corruption, but a word should be said about causes to dispel any impression that corruption is a uniquely Afro-Asian-Latin American problem. I assume no European or American monopoly of morals. After all, Lord Bryce saw corruption as a major American flaw and noted its outbreak in "virulent form" in the new states in Europe.[5] Yet behavior that will be considered corrupt is likely to be more prominent in less developed countries because of a variety of conditions involved in their underdevelopment—great inequality in distribution of wealth; political office as the primary means of gaining access to wealth; conflict between changing moral codes; the weakness of social and governmental enforcement mechanisms; and the absence of a strong sense of national community.[6] The weakness of the legitimacy of governmental institutions is also a contributing factor, though to attribute this entirely to the prevalence of a cash nexus or the divergence of moral codes under previous colonial governments or to the mere newness of the states concerned may be inadequate in light of the experience with corruption of older, non-colonial less developed states such as Thailand or Liberia. Regardless of causes, however, the conditions of less developed countries are such that corruption is likely to have different effects than in more developed countries.

Most researchers on developing areas gather some information on corruption, and this paper will suggest hypotheses about the costs and benefits of corruption for development that may lure some of this information into the open. However, in view of the fact that generalizations about corruption and development tend to be disguised descriptions of a particular area in which the generalizer has done field work, I will state at the outset that generalizations in this paper are unevenly based on field work in East Africa and Central America and on secondary sources for other areas.

Definitions pose a problem. Indeed, if we define political development as "rational, modern, honest government," then it cannot coexist with corruption in the same time period; and if corruption is endemic in government, a politically developed society cannot exist. "Political development" is not an entirely satisfactory term since it has an evaluative as well as a descriptive content. At least in the case of economic development, there is general agreement on the units and scale by which to measure (growth of per capita income). In politics, however, there is agreement neither on the units nor on a single scale to measure development.[7] Emphasis on some scales rather than others tends to reflect an author's interests.

In this author's view, the term "political development" is best used to refer to the recurring problem of relating governmental structures and processes to social change. It seems useful to use one term to refer to the type of change which seems to be occurring in our age ("modernization") and another to refer to capacity of political structures and processes to cope with social change, to the extent it exists, in any period.[8] We generally assume that this means structures and processes which are regarded as legitimate by relevant sectors of the population and effective in producing outputs desired by relevant sectors of the population. I assume that legitimacy and effectiveness are linked in the "long run" but can compensate for each other in the "short run."[9] What constitutes a relevant sector of the population will vary with the period and with social changes within a period. In the modern period we tend to assume that at least a veneer of broad participation is essential for establishing or maintaining legitimacy. In other words, in the current period, political development and political modernization may come close to involving the same things.

In this paper, political development (or decay) will mean growth (or decline) in the

[5] James Bryce, *Modern Democracies* (New York, 1921), Vol. II, p. 509.

[6] Colin Leys, "What is the Problem About Corruption?" *Journal of Modern African Studies*, 3, 2 (1965), 224–225; Ralph Braibanti, "Reflections on Bureaucratic Corruption," *Public Administration*, 40 (Winter, 1962), 365–371.

[7] Nor, by the nature of the subject, is there likely to be. In Pye's words, "no single scale can be used for measuring political development": Lucian Pye (ed.), *Communications and Political Development* (Princeton, 1963). See also Lucian Pye, "The Concept of Political Development," *The Annals*, 358 (March 1965), 1–19; Samuel Huntington, "Political Development and Political Decay," *World Politics*, 17 (April, 1965), 386–430; Robert Packenham, "Political Development Doctrines in the American Foreign Aid Program," *World Politics*, 18 (January, 1966), 194–235.

[8] See Huntington, *op. cit.*, 389.

[9] S. M. Lipset, *Political Man* (Garden City, 1959), 72–75.

capacity of a society's governmental structures and processes to maintain their legitimacy over time (i.e., presumably in the face of social change). This allows us to see development as a moving equilibrium and avoid some of the limitations of equating development and modernization. Of course, this definition does not solve all the concept's problems. Unless we treat development entirely ex post facto, there will still be differences over evaluation (legitimate in whose eyes?) and measurement (national integration, administrative capacity, institutionalization?) as well as what constitutes a "long" and "short" run. Thus we will find that forms of corruption which have beneficial effects on economic development may be detrimental for political development; or may promote one form of political development (i.e., defined one way or measured along one scale) but be detrimental to another. We shall have to continue to beware of variations in what we mean by political development. (Alternatively, those who reject the term "political development" can still read the paper as relating corruption to three problems of change discussed below.)

The definition of corruption also poses serious problems. Broadly defined as perversion or a change from good to bad, it covers a wide range of behavior from venality to ideological erosion. For instance, we might describe the revolutionary student who returns from Paris to a former French African country and accepts a (perfectly legal) overpaid civil service post as "corrupted." But used this broadly the term is more relevant to moral evaluation than political analysis. I will use a narrower definition which can be made operational. Corruption is behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence.[10] This includes such behavior as bribery (use of a reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses). This definition does not include much behavior that might nonetheless be regarded as offensive to moral standards. It also excludes any consideration of whether the behavior is in the public interest, since building the study of the effects of the behavior into the definition makes analysis of the relationship between corruption and development difficult. Similarly, it avoids the question of whether non-Western societies regard the behavior as corrupt, preferring to treat that also as a separate variable. To build such relativism into the definition is to make specific behavior which can be compared between countries hard to identify. Moreover, in most less developed countries, there are two standards regarding such behavior, one indigenous and one more or less Western, and the formal duties and rules concerning most public roles tend to be expressed in terms of the latter.[11] In short, while this definition of corruption is not entirely satisfactory in terms of inclusiveness of behavior and the handling of relativity of standards, it has the merit of denoting specific behavior generally called corrupt by Western standards (which are at least partly relevant in most developing countries) and thus allowing us to ask what effects this specific behavior has under differing conditions.

[10] The second part of the definition is taken from Edward C. Banfield, *Political Influence* (Glencoe, Ill.: Free Press, 1961), p. 315.

II. POSSIBLE BENEFITS AND COSTS

Discussion of the relation of corruption to development tends to be phrased in general terms. Usually the argument between moralists and revisionists tends to be about the possibility that corruption (type unspecified) *can* be beneficial for development. Leaving aside questions of probability, one can argue that corruption can be beneficial to political development, as here defined, by contributing to the solution of three major problems involved: economic development, national integration, and governmental capacity.

1. *Economic Development.* If corruption helps promote economic development which is generally necessary to maintain a capacity to preserve legitimacy in the face of social change, then (by definition) it is beneficial for political development.

There seem to be at least three major ways in which some kinds of corruption might promote economic development.

a. Capital formation. Where private capital is scarce and government lacks a capacity to tax a surplus out of peasants or workers openly, corruption may be an important source of

[11] See, for example: M. G. Smith, "Historical and Cultural Conditions of Political Corruption Among the Hausa," *Comparative Studies in Society and History*, 6 (January, 1964), at p. 194; Lloyd Fallers, "The Predicament of the Modern African Chief: An Instance from Uganda," *American Anthropologist*, 57 (1955), 290–305. I agree with Bayley on this point: *op. cit.*, 720–722.

capital formation. There seems to be little question about the effectiveness of this form of taxation—Trujillo reputedly accumulated $500 million and Nkrumah and relatives probably more than $10 million.[12] The real question is whether the accumulated capital is then put to uses which promote economic development or winds up in Swiss banks.

b. Cutting red tape. In many new countries the association of profit with imperialism has led to a systematic bias against the market mechanism. Given inadequate administrative resources in most new states, it can be argued that corruption helps to mitigate the consequences of ideologically determined economic devices which may not be wholly appropriate for the countries concerned.[13] Even where the quality of bureaucrats is high, as in India, some observers believe that "too much checking on corruption can delay development. Trying to run a development economy with triple checking is impossible."[14] Corruption on the part of factory managers in the Soviet Union is sometimes credited with providing a flexibility that makes central planning more effective.

c. Entrepreneurship and incentives. If Schumpeter is correct that the entrepreneur is a vital factor in economic growth and if there is an ideological bias against private incentives in a country, then corruption may provide one of the major means by which a developing country can make use of this factor. This becomes even more true if, as is often the case, the personal characteristics associated with entrepreneurship have a higher incidence among minority groups. Corruption may provide the means of overcoming discrimination against members of a minority group, and allow the entrepreneur from a minority to gain access to the political decisions necessary for him to provide his skills. In East Africa, for instance, corruption may be prolonging the effective life of an important economic asset—the Asian minority entrepreneur—beyond what political conditions would otherwise allow.

2. *National Integration.* It seems fair to assume that a society's political structures will be better able to cope with change and preserve their legitimacy if the members share a sense of community. Indeed, integration is sometimes used as one of the main scales for measuring political development.

a. Elite integration. Corruption may help overcome divisions in a ruling elite that might otherwise result in destructive conflict. One observer believes that it helped bridge the gap between the groups based on power and those based on wealth that appeared in the early nationalist period in West Africa and allowed the groups to "assimilate each other." Certainly in Central America, corruption has been a major factor in the succession mechanism by integrating the leaders of the new coup into the existing upper class. Whether this is beneficial for political development or not is another question involving particular circumstances, different evaluation of the importance of continuity, and the question of the relevant period for measurement.

b. Integration of non-elites. Corruption may help to ease the transition from traditional life to modern. It can be argued that the man who has lived under "ascriptive, particularistic and diffuse" conditions cares far less about the rational impartiality of the government and its laws than he does about its awesomeness and seeming inhumanity. The vast gap between literate official and illiterate peasant which is often characteristic of the countryside may be bridged if the peasant approaches the official bearing traditional gifts or their (marginally corrupt) money equivalent. For the new urban resident, a political machine based on corruption may provide a comprehensible point at which to relate to government by other than purely ethnic or tribal means. In McMullan's words, a degree of low-level corruption can "soften relations of officials and people" or in Shils' words it "humanizes government and makes it less awesome."[15]

However, what is integrative for one group may be disintegrative for another. The "traditional" or "transitional" man may care far more that he has a means to get *his* son out of jail than that the system as a whole be incorruptible, but for "modern" groups such as

[12] A. Terry Rambo, "The Dominican Republic," in Martin Needler (ed.), *Political Systems of Latin America* (Princeton, 1964), p. 172; *New York Times*, March 5, 1966. Ayeh Kumi's quoted statement has almost certainly greatly underestimated his own assets.

[13] On the economic problems of "African socialism," see Elliot Berg, "Socialism and Economic Development in Tropical Africa," *Quarterly Journal of Economics*, 78 (November, 1964), 549–573.

[14] Barbara Ward, addressing the Harvard Center for International Affairs, Cambridge, Mass., March 3, 1966.

[15] M. McMullan, "A Theory of Corruption," *The Sociological Review* (Keele), 9 (July, 1961), at p. 196; Edward Shils, *Political Development in the New States* (The Hague, 1962), p. 385.

students and middle classes (who have profited from achievement and universalism) the absence of honesty may destroy the legitimacy of the system. Finally, it is worth noting again Gluckman's statement that the scandals associated with corruption can sometimes have the effect of strengthening a value system as a whole.

3. *Governmental Capacity.* The capacity of the political structures of many new states to cope with change is frequently limited by the weakness of their new institutions and (often despite apparent centralization) the fragmentation of power in a country. Moreover, there is little "elasticity of power"—i.e., power does not expand or contract easily with a change of man or situation.[16]

To use a somewhat simplified scheme of motivations, one could say that the leaders in such a country have to rely (in various combinations) on ideal, coercive or material incentives to aggregate enough power to govern. Legal material incentives may have to be augmented by corrupt ones. Those who place great faith in ideal incentives (such as Wraith and Simpkins) see the use of corrupt material incentives as destructive ("these countries depend considerably on enthusiasm and on youthful pride of achievement . . .")[17] of governmental capacity. With a lower evaluation of the role of ideal incentives, however, corrupt material incentives may become a functional equivalent for violence. In Mexico, for instance, Needler has described the important role which corruption played in the transition from the violent phases of the revolution to its institutionalized form.[18] At the local level, Greenstone notes that while patronage and corruption was one factor contributing to an initial decline in governmental capacity in East Africa, corrupt material incentives may provide the glue for reassembling sufficient power to govern.[19]

Governmental capacity can be increased by the creation of supporting institutions such as political parties. Financing political parties tends to be a problem in developed as well as less developed countries, but it is a particular problem in poor countries. Broad-based mass financing is difficult to maintain after independence.[20] In some cases the major alternatives to corrupt proceeds as a means of party finance are party decay or reliance on outside funds. Needless to say, not all such investments are successful. The nearly $12 million diverted from Nigeria's Western Region Marketing Board into Action Group coffers from 1959–1962 (and probably equivalent amounts in other regions)[21] seem to have been wasted in terms of institution-building; but on the other hand, investment in India's Congress Party or Mexico's *Partido Revolucionario Institucional* has been more profitable for political development.

Those who dispute the possible benefits of corruption could argue that it involves countervailing costs that interfere with the solution of each of the three problems. They could argue that corruption is economically wasteful, politically destabilizing, and destructive of governmental capacity.

1. *Waste of Resources.* Although corruption may help promote economic development, it can also hinder it or direct it in socially less desirable directions.

a. Capital outflow. As we mentioned above, capital accumulated by corruption that winds up in Swiss banks is a net loss for the developing country. These costs can be considerable. For instance, one source estimates that from 1954–1959, three Latin American dictators (Peron, Perez Jimenez, and Batista) removed a total of $1.15 billion from their countries.[22] It is no wonder that another source believes that economic development in some Latin American countries has been "checked" by corruption.[23]

b. Investment distortions. Investment may be channeled into sectors such as construction not because of economic profitability, but because they are more susceptible to hiding corrupt fees through cost-plus contracts and use

[16] See Herbert Werlin, "The Nairobi City Council: A Study in Comparative Local Government," *Comparative Studies in Society and History*, 7 (January, 1966), at p. 185.

[17] Wraith and Simpkins, *op. cit.*, p. 172.

[18] Martin Needler, "The Political Development of Mexico," this REVIEW, 55 (June, 1961), at pp. 310–311.

[19] J. David Greenstone, "Corruption and Self Interest in Kampala and Nairobi," *Comparative Studies in Society and History*, 7 (January, 1966), 199–210.

[20] See J. S. Nye, "The Impact of Independence on Two African Nationalist Parties," in J. Butler and A. Castagno (eds.), *Boston University Papers on Africa* (New York, 1967), 224–245.

[21] Richard L. Sklar, "Contradictions in the Nigerian Political System," *Journal of Modern African Studies*, 3, 2 (1965), at p. 206.

[22] Edwin Lieuwen, *Arms and Politics in Latin America* (New York, 1960), p. 149.

[23] F. Benham and H. A. Holley, *A Short Introduction to the Economy of Latin America* (London, 1960), p. 10.

of suppliers' credits. This was the case, for instance, in Venezuela under Perez Jimenez and in Ghana under Nkrumah.

c. Waste of skills. "If the top political elite of a country consumes its time and energy in trying to get rich by corrupt means, it is not likely that the development plans will be fulfilled."[24] Moreover, the costs in terms of time and energy spent attempting to set some limits to corruption can also be expensive. For instance, in Burma, U Nu's creation of a Bureau of Special Investigation to check corruption actually reduced administrative efficiency.[25]

d. Aid foregone. Another possible wastage, the opportunity costs of aid foregone or withdrawn by outside donors because of disgust with corruption in a developing country could be a serious cost in the sense that developing countries are highly dependent on external sources of capital. Thus far, however, there has not been a marked correlation between honesty of governments and their per capita receipt of aid. If corruption is a consideration with donors (presumably it weighs more heavily with multilateral institutions), it is not yet a primary one.

2. *Instability.* By destroying the legitimacy of political structures in the eyes of those who have power to do something about the situation, corruption can contribute to instability and possible national disintegration. But it is not clear that instability is always inimical to political development.

a. Social revolution. An argument can be made that a full social revolution (whatever its short-run costs) can speed the development of new political structures better able to preserve their legitimacy in the face of social change. Thus, in this view if corruption led to social revolution, this might be a beneficial effect for political development. But it is not clear that corruption of the old regime is a primary cause of social revolution. Such revolutions are comparatively rare and often depend heavily on catalytic events (such as external wars).

b. Military takeovers. If corruption causes a loss of legitimacy in the eyes of those with guns, it may be a direct cause of instability and the disintegration of existing political institutions. But the consequences for political development are again ambiguous. Much depends on differing evaluations of the ability of military regimes (which tend to comprise people and procedures oriented toward modernity) to maintain legitimacy in a democratic age either by self-transformation into political regimes or by being willing and able to foster new political institutions to which power can be returned. To the extent that this tends to be difficult, then if corruption leads to military takeover, it has hindered political development.[26]

The degree to which corruption is itself a major cause of military takeovers is, however, open to some question. Despite its prominence in post-coup rationalizations, one might suspect that it is only a secondary cause in most cases. Perhaps more significant is military leaders' total distaste for the messiness of politics—whether honest or not—and a tendency to blame civilian politicians for failures to meet overly optimistic popular aspirations which would be impossible of fulfillment even by a government of angels.[27] Indeed, to the extent that corruption contributes to governmental effectiveness in meeting these aspirations, it may enhance stability.

Crozier sees "revulsion against civilian incompetence and corruption" as a major cause of coups in several Asian countries including Burma, but he also states that the main cause of Ne Win's return to power was the Shan demand for a federal rather than unitary state.[28] Similarly, corruption is sometimes blamed for the first coup in Nigeria, but the post-electoral crisis in the Western region and the fear of permanent Northern domination was probably a more important and direct cause. In Ghana, corruption may have played a more important role in causing the coup, but not so much because of revulsion at dishonesty, as the fact that corruption had reached an extent where it contributed to an economic situation in which real wages had fallen. Nonetheless, its impact in relation to other factors should not be overestimated.[29]

c. Upsetting ethnic balances. Corruption

[24] Leys, *op. cit.*, at p. 229.

[25] Brian Crozier, *The Morning After: A Study of Independence* (London, 1963), p. 82.

[26] In Pye's words, the military "can contribute to only a limited part of national development," *Aspects of Political Development* (Boston, 1966), p. 187.

[27] "Have no fear," General Mobutu told the Congo people, "My Government is not composed of politicians." Mobutu alleged that political corruption cost the Congo $43 million: *East Africa and Rhodesia*, January 13, 1966; *Africa Report*, January 1966, 23.

[28] Crozier, *op. cit.*, pp. 62, 74.

[29] For two interpretations, see Martin Kilson, "Behind Nigeria's Revolts"; Immanuel Wallerstein, "Autopsy of Nkrumah's Ghana," *New Leader*, January 31, 9–12; March 14, 1966, 3–5.

can sometimes exacerbate problems of national integration in developing countries. If a corrupt leader must be fired, it may upset ethnic arithmetic as happened in both Kenya and Zambia in 1966. Of course this can be manipulated as a deliberate political weapon. In Western Nigeria in 1959, an anti-corruption officer was appointed but his jurisdiction was subject to approval by the cabinet, which meant that no case could be investigated "unless the party leader decided that a man needed to be challenged."[30] But as a weapon, charging corruption is a risky device. Efforts by southern politicans in Uganda to use it in 1966 precipitated a pre-emptive coup by the northern Prime Minister in alliance with the predominantly northern army.

3. *Reduction of Governmental Capacity.* While it may not be the sole or major cause, corruption can contribute to the loss of governmental capacity in developing countries.

a. Reduction of administrative capacity. Corruption may alienate modern-oriented civil servants (a scarce resource) and cause them to leave a country or withdraw or reduce their efforts. In addition to the obvious costs, this may involve considerable opportunity costs in the form of restriction of government programs because of fears that a new program (for instance, administration of new taxes) might be ineffective in practice. While this is a real cost, it is worth noting that efficient bureaucracy is not always a necessary condition for economic or political development (at least in the early stages), and in some cases can even hinder it.[31]

b. Loss of legitimacy. It is often alleged that corruption squanders the most important asset a new country has—the legitimacy of its government. This is a serious cost but it must be analyzed in terms of groups. As we have seen, what may enhance legitimacy for the student or civil servant may not enhance it for the tradition-oriented man. It is interesting, for instance, that there is some evidence that in Tanganyika petty corruption at low levels seems to have increased during the year following the replacement of an "illegitimate" colonial regime by a "legitimate" nationalist one.[32] Loss of legitimacy as a cost must be coupled with assessment of the power or importance of the group in whose eyes legitimacy is lost. If they are young army officers, it can be important indeed.

III. PROBABILITIES

Thus far I have been discussing *possible* benefits and costs. I have established that under some circumstances corruption can have beneficial effects on at least three major development problems. I have evaluated the importance of a number of frequently alleged countervailing costs. It remains to offer hypotheses about the *probabilities* of benefits outweighing costs. In general terms, such probabilities will vary with at least three conditions: (1) a tolerant culture and dominant groups; (2) a degree of security on the part of the members of the elite being corrupted; (3) the existence of societal and institutional checks and restraints on corrupt behavior.

(1) Attitudes toward corruption vary greatly. In certain West African countries, observers have reported little widespread sense of indignation about corruption.[33] The Philippines, with its American colonial heritage of corruption. and appreciation of the politics of compromise, seems able to tolerate a higher level of corruption than formerly-Dutch Indonesia. According to Higgins, the Indonesian attitude to corruption (which began on a large scale only in 1954) is that it is sinful. He attributes the civil war of 1958 to corruption and argues that in the Philippines, "anomalies" are taken more for granted.[34] Not only is the general level of tolerance of corruption relevant; variations of attitude within a country can be as important (or more so) than differences between countries. Very often, traditional sectors of the populace are likely to be more tolerant of corruption than some of the modern sectors (students, army, civil service). Thus the hypothesis must take into account not only the tolerant nature of the culture, but also the relative power of groups representing more and less tolerant sub-cultures in a country. In Nigeria, tolerance was by many accounts considerable among the population at large, but not among the young army officers who overthrew the old regime.

(2) Another condition which increases the probability that the benefits of corruption will outweigh the costs is a degree of security (and perception thereof) by the members of the elites indulging in corrupt practices. Too great

[30] Henry Bretton, *Power and Stability in Nigeria* (New York, 1962), p. 79.

[31] Bert Hoselitz, "Levels of Economic Performance and Bureaucratic Structures," in Joseph LaPalombara (ed.), *Bureaucracy and Political Development* (Princeton, 1963), 193–195. See also Nathaniel Leff, *loc. cit.*, 8–14.

[32] See *Tanganyika Standard*, May 15, 1963.

[33] McMullan, *op. cit.*, p. 195.

[34] Benjamin Higgins, *Economic Development* (New York, 1959), p. 62.

TABLE 1. CORRUPTION COST-BENEFIT MATRIX

Types of Corruption	Political Conditions	Development Problems: 1. Economic development a. capital	b. bureaucracy	c. skills	2. National integration d. elite	e. non-elite	3. Governmental capacity f. effectiveness	g. legitimacy	General Probability that Costs Outweigh Benefits
1. Level									
top	F	low	uncertain	uncertain/low	low	uncertain	low	low	low/uncertain
bottom	F	high	uncertain	uncertain/high	uncertain	low	high	low	high
top	U	high	high	uncertain/low	high	high	low	high	high
bottom	U	high	uncertain	uncertain/high	little relevance	high	high	high	high
2. Inducements							low/uncertain	uncertain	low/uncertain
modern	F	low	uncertain	uncertain/low	low	low	high	uncertain	high
traditional	F	high/uncertain	uncertain	high	high	uncertain	low/uncertain	high	high
modern	U	high	uncertain	uncertain/low	high	high			
traditional	U	high/uncertain	uncertain	high	high	uncertain	high	high	high
3. Deviation									
extensive	F	uncertain	high	uncertain	uncertain	low	uncertain/low	uncertain/high	high
marginal	F	uncertain	low	uncertain/low	low	low	low	low	low
extensive	U	uncertain	high	uncertain	high	high	uncertain	high	high
marginal	U	uncertain	low	uncertain/low	high	high	low	high	high

Notes: F favorable political conditions (cultural tolerance, elite security, checks).
U unfavorable political conditions
High high probability that costs exceed benefits
Low low probability that costs exceed benefits
Uncertain little relationship or ambiguous relationship

insecurity means that any capital formed by corruption will tend to be exported rather than invested at home. In Nicaragua, for instance, it is argued that the sense of security of the Somoza family encouraged them in internal investments in economic projects and the strengthening of their political party, which led to impressive economic growth and diminished direct reliance on the army. In contrast are the numerous cases of capital outflow mentioned above. One might add that this sense of security, including the whole capitalist ethic, which is rare in less developed countries today, makes comparison with capital formation by the "robber barons" of the American 19th century of dubious relevance to less developed countries today.

(3) It is probable that for the benefits of corruption to outweigh the costs depends on its being limited in various ways, much as the beneficial effects of inflation for economic growth tends to depend on limits. These limits depend upon the existence of societal or institutional restraints on corruption. These can be external to the leaders, e.g., the existence of an independent press, and honest elections; or internalized conceptions of public interest by a ruling group such as Leys argues that 18th-century English aristocrats held.[35] In Mandeville's words, "Vice is beneficial found when it's by Justice lopt and bound."[36]

Given the characteristics of less developed countries, one can see that the general probability of the presence of one or more of these conditions (and thus of benefits outweighing costs) is not high. But to conclude merely that the moralists are more right than wrong (though for the wrong reasons) is insufficient because the whole issue remains unsatisfactory if left in these general terms. Though corruption may not prove beneficial for resolution of development problems in general, it may prove to be the only means to solution of a particular problem. If a country has some overriding problem, some "obstacle to development"—for instance, if capital can be formed by no other means, or ethnic hatred threatens all legal activities aimed at its alleviation—then it is possible that corruption is beneficial for development despite the high costs and risks involved. While there are dangers in identifying

[35] Leys, *op. cit.*, p. 227. See also Eric McKitrick, "The Study of Corruption," *Political Science Quarterly*, 72 (December, 1957), 502–514, for limits on corruption in urban America.

[36] Bernard Mandeville, *The Fable of the Bees*, Vol. I (Oxford: Clarendon Press, by F. B. Kaye, 1924), 37.

"obstacles to development,"[37] and while the corruption that is beneficial to the solution of one problem may be detrimental to another, we need to get away from general statements which are difficult to test and which provide us with no means of ordering the vast number of variables involved. We are more likely to advance this argument if we distinguish the roles of different types of corruption in relation to different types of development problems.

The matrix in Table 1 relates three types of corruption to three types of development problems, first assuming favorable and then assuming unfavorable conditions described above. Favorable conditions (F) means a tolerant culture or dominance of more tolerant groups, relative security of the elite corrupted, and societal/institutional checks. Unfavorable conditions (U) means intolerant culture or groups, insecure elite, and few societal/institutional checks. The development problems are those discussed above: economic development, national integration, and governmental capacity. The scores are a priori judgments that the costs of a particular type of corruption are likely to outweigh the benefits for a particular development problem or sub-problem. They represent a series of tentative hypotheses to be clarified or refuted by data. Under economic development, the specific sub-problems discussed are whether capital accumulation is promoted (benefit) without capital flight (cost); whether cutting bureaucratic red tape (benefit) outweighs distortion of rational criteria (cost); whether the attraction of unused scarce skills such as entrepreneurship (benefit) is greater than the wastage of scarce skills of, say, politicians and civil servants (cost).

Under the problem of national integration are the sub-problems of whether a particular type of corruption tends to make the elite more cohesive (benefit) or seriously splits them (cost); and whether it tends to humanize government and make national identification easier for the non-elites (benefit) or alienates them (cost). Under the problem of governmental capacity are the sub-problems of whether the additional power aggregated by corruption (benefit) outweighs possible damage to administrative efficiency (cost); and whether it enhances (benefit) or seriously weakens the governmental legitimacy (cost).

1. *Level of Beneficiary.* Shils argues that "freedom from corruption at the highest levels is a necessity for the maintenance of public respect of Government . . ." whereas a modicum of corruption at lower levels is probably not too injurious.[38] On the other hand, McMullan reports that West Africans show little sense of indignation about often fantastic stories of corruption by leaders, and impressions from Mexico indicate that petty corruption most saps morale.[39] In India, Bayley notes that "although corruption at the top attracts the most attention in public forums, and involves the largest amount of money in separate transactions, corruption at the very bottom levels is the more apparent and obvious and in total amounts of money involved may very well rival corruption at the top."'[40]

The matrix in Table I suggests that under unfavorable conditions neither type of corruption is likely to be beneficial in general, although top level corruption may enhance governmental power more than it weakens administrative efficiency. It also suggests that under favorable conditions, top level corruption may be beneficial but bottom level corruption probably is not (except for non-elite integration). If these judgments are accurate, it suggests that countries with favorable conditions, like India, which have considerable bottom level corruption but pride themselves on the relative honesty of the higher levels may be falling between two stools.

The rationale of the scoring is as follows: (A) Capital. Bottom level corruption with smaller size of each inducement will probably increase consumption more than capital formation. While top level corruption may represent the latter, whether it is invested productively rather than sent overseas depends on favorable political conditions. (B) Bureaucracy. Other factors seem more important in determining whether expediting is more important than distortion; except that those with the power of the top levels will probably distort investment criteria considerably in conditions of uncertainty—witness the alleged selling of investment licenses under a previous government in Guatemala. (C) Skills. Whether top level corruption permits the use of more skills than it wastes depends upon their supply. Where they exist, as with Asians in East Africa or "Turcos" in Honduras, it is probably beneficial. Corruption of those at lower levels of power may be more likely to waste energies than to be im-

[37] See Albert O. Hirschman, "Obstacles to Development: A Classification and a Quasi-Vanishing Act," *Economic Development and Cultural Change*, 13 (July 1965), 385–393.

[38] Shils, *op. cit.*, p. 385.

[39] McMullan, *op. cit.*, 195; Oscar Lewis, *The Children of Sanchez* (New York, 1961).

[40] Bayley, *op. cit.*, p. 724.

portant in permission of use of new skills simply because their power is limited.

(D) Elite Integration. It is difficult to see a clear relation between bottom level corruption and elite integration. At the higher levels under unfavorable conditions, e.g., a powerful intolerant part of the elite such as students or army, corruption would probably have a more divisive than cohesive effect. Under favorable conditions it might be more cohesive. (E) Non-elite integration. Under unfavorable conditions it seems likely that both types of corruption would tend to alienate more than enhance identification, whereas under favorable conditions corruption by the lower levels that the populace deals with most frequently might have the humanizing effect mentioned above, and alienation would be slight in the tolerant culture. Top level corruption might have the same effect though the connection is less clear because of the lesser degree of direct contact.

(F) Effectiveness. Bottom level corruption is more likely to disperse rather than aggregate power by making governmental machinery less responsive than otherwise might be the case; whereas at top levels the ability to change the behavior of important power holders by corrupt inducements is likely to outweigh the loss of efficiency, even under unfavorable conditions. (G) Legitimacy. Whether corruption enhances or reduces governmental legitimacy depends more on favorable conditions than on level of corruption. Much depends on another factor, visibility of corrupt behavior, which does not always have a clear relationship to level of corruption.

2. *Inducements.* Another distinction which can be made between types of corruption is the nature of the inducement used, for instance the extent to which they reflect the values of the traditional society or the values of the modern sector. A traditional inducement such as status in one's clan or tribe may be more tolerable to those who share the ascriptive affinity, but others outside the ascriptive relationship would prefer the use of money which would give them equality of access to the corruptee. Weiner writes of India that "from a political point of view, equal opportunity to corrupt is often more important than the amount of corruption, and therefore . . . an increase in *bakshish* is in the long run less serious than an increase in corruption by ascriptive criteria."[41]

[41] Myron Weiner, *The Politics of Scarcity* (Chicago: University of Chicago Press, 1962), p. 236.

As scored here, our matrix suggests that under favorable political conditions (e.g., India?) Weiner's hypothesis is probably correct but would not be correct under unfavorable conditions. (A) Capital. Modern inducements (i.e., money) probably lead to capital formation (at top levels) which may be invested under favorable conditions or be sent abroad under unfavorable conditions. Traditional inducements (kin status) do not promote capital formation (and may even interfere with it) but probably have little effect on capital flight. (B) Bureaucracy. What edge modern inducements may have in expediting procedure may be offset by distortion of criteria, so the relation between type of inducement and this problem is scored as uncertain. (C) Skills. Assuming the existence of untapped skills (as above), modern inducements increase the access to power while traditional ones decrease it. (D) Elite Integration. Under favorable conditions modern inducements are unlikely to divide elites more than make them cohere, but traditional inducements tend to preserve and emphasize ethnic divisions in the elites. Under unfavorable conditions, both types of inducements tend to be divisive. (E) Non-elite integration. Whether modern inducements promote identification or alienation varies with political conditions in the expected way, but the effect of traditional inducements is more ambiguous and probably varies from positive to negative according to the prevalence of traditional as against modern values in the particular country in question. (F) Effectiveness. Modern inducements probably give the government greater range to aggregate more sources of power than traditional inducements do. The probabilities will vary not only with political conditions but also by the opportunity costs—whether there is an efficient administrative machine to be damaged or not. (G) Legitimacy. Under favorable conditions whether traditional or modern inducements will decrease legitimacy more than they enhance it remains uncertain because it will vary with the (above mentioned) degree of existence of modern and traditional values in a society. Under unfavorable conditions, both will likely have higher costs than benefits.

3. *Deviation.* We can also distinguish types of corruption by whether the corrupt behavior involves extensive deviation from the formal duties of a public role or marginal deviation. This is not the same thing as a scale of corrupt inducements, since the size of the inducements may bear little relation to the degree of deviation. For instance, it is alleged that in one Central American country under an insecure recent

regime, a business could get the government to reverse a decision for as little as $2000, whereas in a neighboring country the mere expediting of a decision cost $50,000. Such a distinction between types of corruption by extent of deviation is not uncommon among practitioners who use terms like "speed-up money" or "honest graft" in their rationalizations.[42]

(A) Capital. It is difficult to see that the extensiveness of the deviation (except insofar as it affects the scale of inducement) has much to do with the probabilities of capital formation or flight. (B) Bureaucracy. On the other hand, marginal deviations (by definition) are unlikely to involve high costs in distortion of criteria and even under unfavorable conditions may help expedite matters. Extensive deviations are likely to have high costs in terms of rational criteria regardless of conditions. (C) Skills. It is not clear that extensive deviations call forth more unused skills than they waste administrative skills; nor is the matter completely clear with marginal deviations, though the costs of administrative skills wasted may be lower because the tasks are simpler.

(D) Elite Integration. Under unfavorable conditions, the effects of corruption on elite cohesiveness are likely to be negative regardless of the extent of deviations, though they might be less negative for marginal deviations. Under favorable conditions, marginal deviations are likely to have low costs, but the effect of extensive deviations will be uncertain, varying with other factors such as existing cohesiveness of the elite and the nature of the extensive deviations. (E) Non-elite integration. Under unfavorable conditions, corruption is likely to have more alienative than identification effects regardless of the nature of the deviations. Under favorable conditions, marginal deviation will not have high costs in terms of alienation, and extensive deviation may have special appeal to those who are seeking human and "reversible" government more than impartial or "rational" government. (F) Effectiveness. It is difficult to see that extensive deviations alone would increase governmental power more than weaken administrative efficiency, but with marginal deviation, the extent of the latter would be sufficiently small that the benefits would probably outweigh the costs. (G) Legitimacy. Under unfavorable conditions either type of corruption would be more likely to weaken than to enhance legitimacy, but under favorable conditions the lesser challenge to rationality might make marginal corruption less detrimental than extensive—though this would depend on the proportion and dominance of groups in society placing emphasis on modern values.

[42] Cf. William Riordan, *Plunkitt of Tammany Hall* (New York, 1948), p. 4.

IV. CONCLUSION

The scoring of the matrix suggests that we can refine the general statements about corruption and political development to read "it is probable that the costs of corruption in less developed countries will exceed its benefits except for top level corruption involving modern inducements and marginal deviations and except for situations where corruption provides the only solution to an important obstacle to development." As our matrix shows, corruption can provide the solution to several of the more limited problems of development. Whether this is beneficial to development as a whole depends on how important the problems are and what alternatives exist. It is also interesting to note that while the three conditions we have identified seem to be necessary for corruption to be beneficial in general terms, they are not necessary for it to be beneficial in the solution of a number of particular problems.

At this point, however, not enough information is at hand to justify great confidence in the exact conclusions reached here. More important is the suggestion of the use of this or a similar matrix to advance the discussion of the relationship between corruption and development. The matrix can be expanded or elaborated in a number of ways if the data seem to justify it. Additional development problems can be added, as can additional types of corruption (e.g., by scale, visibility, income effects, and so forth). The above categories can be made more precise by adding possibilities; for instance intermediate as well as top and bottom levels of corruption, or distinctions between politicians and civil servants at top, bottom, and intermediate levels.

Despite the problems of systematic field research on corruption in developing countries mentioned above, there is probably much more data on corruption and development gleaned during field work on other topics than we realize. What we need to advance the study of the problem is to refute and replace *specific* a priori hypotheses with propositions based on such data rather than with the generalities of the moralists. Corruption in developing countries is too important a phenomenon to be left to moralists.