

Fighting Systemic Corruption: Social Foundations for Institutional Reform

MICHAEL JOHNSTON

While institutional reforms enhancing transparency and accountability in state and economic institutions are indispensable parts of any anti-corruption strategy, they also need a long-term social foundation, particularly where corruption is systemic. Social empowerment – expanding and protecting the range of political and economic resources, and alternatives, open to ordinary citizens – is one way to address this task. Social empowerment entails strengthening civil society in order to enhance its political and economic vitality, providing more orderly paths of access and rules of interaction between state and society, and balancing economic and political opportunities. Development strategies aimed particularly at hitherto-excluded people and regions within a country are of particular importance. Social empowerment does not involve wholly new remedies, but rather the judicious coordination of a variety of familiar development and anti-corruption policies. Where it is successful, social empowerment will not totally eradicate corruption. It can, however, provide necessary support for institutional reforms, weaken the combinations of monopoly, discretion, and lack of accountability that make for systemic corruption, and help institutionalise reform for the long term by linking it to lasting interests contending in active political and social processes.

INTRODUCTION

In many countries where corruption is the exception, not the rule, reformers have several advantages. Anti-corruption laws, agencies and organisations are in place and enjoy broad-based support, as do independent courts, auditors and news media. Citizens and organisations are willing to confront the problem directly [Alam, 1995] and elected officials cannot ignore them without the risk of losing office. New episodes of corruption may feature novel tactics of venality but they are generally limited in scope. Government is broadly

legitimate; civil liberties, systems of accountability, property and contract rights, and the rule of law are credible. Ineffective policies and the marked deterioration of governmental functions can be addressed without a crisis, for it is possible to change the government without bringing down the regime [Przeworski and Limongi, 1993].

In such settings, we generally respond to corruption through institutional reform. A range of familiar and well-tested options is at hand. Some address operational problems through improved controls over discretion and resources; more transparent procedures; strengthening of internal and external accountability systems; improved recruitment, compensation, training and retraining for officials; and creating channels of appeal for clients, for example. Where problems lie at the level of basic structures, rather than with operations, redesigned institutions may be needed as replacements for, or additions to, existing ones. Winning support for, and implementing, institutional reforms can be far from easy: corrupt interests with a stake in the status quo can strongly oppose changes, while reform advocates may be divided among themselves as to the nature of the problem and the best remedies for it. Public support for reform, while critical to its success, is often transitory and diffuse. Still, institutional reforms have a good track record in those nations where government is generally legitimate and effective, and corruption is a problem with limited scope and many foes.

Unfortunately, institutional reforms by themselves do not fare as well where corruption problems are worst. Corruption in many of those nations is not only more extensive but is also a qualitatively different problem, embedded in political and economic systems in ways that both reflect its impact and help sustain its force. Particularly in developing or transitional societies where the challenge of limiting corruption is most urgent, new institutional forms and procedures – like the ones they replace, in many instances – are often deprived of the administrative and political support and underlying normative consensus that they require for success. Thus, even where corruption is reduced for a time, it has a way of reasserting itself. This is systemic corruption, and it poses reform challenges which are institutional as well as social in nature.

If the limited corruption of more advanced countries represents a formidable challenge, what if anything can be done where it is the rule, and where routine political and economic processes sustain rather than resist it? Where real power is not won through open, honest competition, nor exercised through transparent, accountable processes and institutions, where can reformers begin? And where people find it prudent to respond to corruption by avoiding the problem or through corruption of their own [Alam, 1995], where can reformers find significant support? Finally, how can reform and reductions in corruption be made sustainable, rather than just short-term or superficial?

I argue that social empowerment – expanding and protecting the range of political and economic resources, and alternatives, open to ordinary citizens – is an essential part of any attack upon systemic corruption. Where grassroots communities and the people within them deal with corrupt officials because they have few alternatives, and respond to corruption in evasive or illicit rather than direct ways [*Alam, 1995*], we must search for ways of reducing their political and economic vulnerability and of giving them more effective means of recourse. Institutional reforms designed to increase accountability and transparency in the operations of the state and major economic institutions, and measures to counteract specific corrupt practices, will always be worthwhile; in no way does social empowerment supplant these approaches. But major political and economic institutions must engage with viable social processes, including political and economic contention, and become linked to enduring incentives and interests if they are to be sustainable and to yield their full potential benefits.

Social empowerment does not so much involve a whole new set of anti-corruption measures as an integration of development policies, many of them familiar, aimed at enhancing the vitality of political and economic life and of civil society, particularly in those segments of a country which have been excluded from development or exploited. In part because the renewal of interest in corruption as a problem in development is relatively recent, social empowerment as a comprehensive anti-corruption strategy has yet to be implemented anywhere (though such empowerment has long been a general development-policy goal, and the anti-corruption debate has devoted renewed attention to the value of a viable civil society [*Cooter, 1997*]). However, a number of countries have reduced corruption historically through the development of civil society and enhanced political and economic competition; changes which, while often not planned or coordinated as reforms *per se*, incorporate some of the elements of social empowerment. Thus at various points in this analysis I will discuss examples illustrating the potential of the strategy. This discussion will not arrive at ‘the answer’ to corruption problems in the developing world, or even in any one country; indeed, social empowerment strategies will have to be tailored to the structure, problems, current lines of conflict and development potential of specific societies. For that process, there is no substitute for a detailed knowledge of a country and its people. But I do hope to identify a general strategy for building solid social foundations for institutional reform, and for strengthening forces and processes which can sustain reductions in corruption over the long term.

CORRUPTION, VULNERABILITY AND CHOICE

Sustainable anti-corruption reform is critical to the future of developing and transitional societies. Corruption is not just a ‘growing pain’ associated with

development; even less is it a sort of facilitating process. Evidence is mounting that corruption slows economic growth [Ades and di Tella, 1994; Mauro, 1997; Murphy, Shleifer and Vishny, 1993; Rose-Ackerman, 1996, 1997; Rose-Ackerman and Stone, 1996; World Bank, 1997] and serves as a heavy tax upon investment [Wei, 1997]. It is often at its worst in relatively closed economic and political systems [Elliott, 1997]. Corruption undermines political development, flourishing where national institutions and guarantees of basic economic rights are weak [Knack and Keefer, 1995] and ethnic divisions and conflicts are particularly deep [Easterly and Levine, 1996]. As economies and markets become more interdependent, corrupt agents can extend their dealings across borders, quickly shifting illicit profits out of poor countries into numbered bank accounts elsewhere. Corruption reduces the effectiveness of aid-funded projects [IMF, 1995; Isham, Kaufmann and Pritchett, 1995, 1996; Rauch, 1995] and further weakens political support for aid within donor countries. Countries suffering from corruption cannot make the best use of their human and natural resources; instead, they will likely remain vulnerable to and dependent upon outside interests and markets, and be unable to implement effective development strategies of their own. Because corruption, as a form of influence, requires scarce resources – money, access, expertise – it will tend to favour the interests of the ‘haves’ in a given setting, usually at the expense of the ‘have-nots’ [Johnston, 1982: Ch.2]. For this reason, even seemingly ‘petty’ corruption, as judged by the sums of money changing hands or the ordinary nature of the situations and participants involved, can be part of a pervasive syndrome of problems that helps keep poor countries poor.

Corruption does not explain all that is wrong with developing societies, nor does it negate all that is right in them. It is not something that ‘happens to’ a country, but rather a symptom of deeper difficulties. In many respects, it is not just a ‘development problem’, but also a profoundly *social* process involving real people in concrete situations. Looked at one way, corruption is a problem of official ethics and public dealings; but viewed another way, it is a function of the opportunities and alternatives people have in life. While institutional reforms focus – rightly – upon the opportunities and alternatives open to officials, it makes equal sense to consider those available to citizens, both as they affect their vulnerability to corruption and as they shape possible opportunities for responding to it.

In advanced societies, where economic and political vitality and a strong civil society can often be taken for granted, the importance of social foundations for institutional reform can easily be overlooked. In developing and transitional societies, by contrast, the indifferent track record of reformed institutions (and particularly those of liberal democracy and market economics) in many places gives citizens little reason to trust them or to use them to defend themselves. The major institutions of the state and the economy

must win broad-based legitimacy and support. For these reasons, it will not do simply to propose democracy and market economics as solutions to systemic corruption. Comparative statistical evidence suggests that democratic rights and processes by themselves do not significantly reduce corruption [*Isham, Kaufmann, and Pritchett, 1995; 1996*] and are linked to economic growth in only limited and indirect ways [*Barro, 1995; Przeworski and Limongi, 1993*]. Moreover, democracies and advanced market economies have corruption problems of their own (if typically less pervasive and harmful to development). For serious cases of corruption, reform from the bottom upwards, opening up political and economic alternatives and bringing excluded segments of society into an active mainstream, is an essential counterpart to increased official transparency and institutional change.

Definitions

No issue is more enduring in the corruption debate, and none has so frequently preempted promising discussions, as that of definitions. Despite the fact that most people, most of the time, know corruption when they see it, defining the concept does raise difficult theoretical and empirical questions [*Johnston, 1996*]. We are unlikely ever to arrive at a single definition which accurately identifies all possible cases. Moreover, if a significant proportion of the population regard a person, process or regime as corrupt, or if they believe corruption is inevitable in their daily lives, that is an important social and political fact, whatever an analyst might say about the situation. In cases of systemic corruption, however, we encounter a lasting and pervasive pattern of abuses that few would hesitate to call corrupt. Therefore I will simply define corruption as the abuse of public roles or resources for private benefit. The terms 'abuse', 'public', 'private', and even 'benefit' [*Thompson, 1993; 1995*] may be contested in actual cases, and in fact such disputes can be indicators of the sort of political contention that we might want to encourage; but this definition fits cases of systemic corruption without major difficulties.

Systemic corruption is not a special category of corrupt practice but rather a situation in which the major institutions and processes of the state are routinely dominated and used by corrupt individuals and groups, and in which many people have few practical alternatives to dealing with corrupt officials. Examples might include contemporary Nigeria and Mobutu's Zaire; Haiti's *tonton macoute*; the deeply-rooted corruption Scott [1972: Ch.4] analysed in 1960s' Thailand; the political machines found, often during phases of rapid urbanisation, in American cities and elsewhere (for Palermo, see Chubb [1981]); and – within certain segments of economies or policy systems – the entrenched systems of patrimonialism that still exist even in relatively developed countries [*Theobald, 1992*]. In such settings, political will to pursue reform is often feeble, and corruption may be monopolistic, organised and

coordinated and thus 'entrenched' [Johnston, 1997a]. The near-inevitability of official abuses may be as much a matter of expectations as a positive fact – expectations created by a climate of intimidation, perhaps, or cultivated by 'middlemen' with a stake in maintaining the value of their 'services' [Oldenburg, 1987; Sacks, 1976]. Still, corruption that is pervasive is no longer an exception to the political or administrative norm.

The Broader Setting: Conditions Sustaining Systemic Corruption

Systemic corruption is so persistent and difficult to combat not only because of its inner workings but also because it is embedded in a wider political and economic situation that helps sustain it. The relationships between corrupt practices and the broader situation are reciprocal: corruption contributes to delayed and distorted political development, weakening competitive processes and major institutions [Johnston, 1997b], while that environment renders people more vulnerable to corrupt exploitation – or dependent upon its petty rewards, in the absence of better political and economic opportunities – and thus less able to resist it. Corruption becomes embedded in the range of interrelated development problems noted above. Prolonged slow or negative growth, or even rapid growth if monopolised by a few well-connected factions, perpetuates the scarcity of economic alternatives for the many while reinforcing dependency upon corrupt officials. Political monopoly power puts civil liberties at risk; elections and trials can be rigged. Intimidation and the perception that corruption is inevitable weaken mass support for would-be reformers, who may conclude there is nothing to gain, and much to lose, by remaining in opposition, and throw in their lot with the powerful.

Martin Shefter's [1976] account of the rise of New York's Tammany Hall machine offers one account of the growth of systemic corruption in a rapidly-changing society. During the 'Rapacious Individualism' of the first half of the nineteenth century a number of politicians and their followers – often based in the many volunteer fire companies of the day – fought for political power, often physically. Followings were loose-knit and poorly disciplined and leaders had to bribe followers repeatedly in order to be confident of their support. Competition was disorderly: those who won power did not hold it for long and entrepreneurs who paid bribes often got little in return.

A 'consolidation' phase followed, paralleling the rise of business oligopolies. Political leaders tightened discipline somewhat by eliminating competitors at the polls (or in back alleys), while businessmen searching for reliable political deals became partners in some of the remaining political combines. Tammany itself had a businessman-boss in this phase. During the mature-machine phase (1880s and after), Tammany held a virtual monopoly over New York City politics. It disciplined its followers ruthlessly – for they had no real political alternatives – and treated business, too, as a prime target

for exploitation. Corruption became more concentrated in very large deals at the top of the machine, as business interests bought major contracts and franchises from political leaders with a tight hold on power. The high prices and arbitrary nature of these deals, and the lack of prospective political alternatives, led many business figures – by now, becoming more managerial in approach, and shifting their emphasis beyond the boundaries of New York – to become prominent in the antimachine movement [*Shefter, 1976*].

INSTITUTIONALISING REFORM THROUGH SOCIAL EMPOWERMENT

Widening citizens' political and economic resources and alternatives and giving basic protection to their political and economic activities can reduce their vulnerability to exploitation, enhancing their ability to participate effectively in politics and to check the self-interested behaviour of official decision-makers and of each other in the process. Where this occurs, corrupt officials will find it more difficult to maintain the political and bureaucratic monopolies and discretion and the weak mechanisms of accountability which Klitgaard [1988: 75] identifies as basic causes of corruption. Social empowerment is a complex, long-term anti-corruption strategy, and may well involve increased corruption problems in early stages. It is in no way a substitute for reforms at the organisational, personnel and administrative levels: indeed, social empowerment and 'macro-level' policies must work together. Moreover, social empowerment can entail considerable political contention, particularly where the rules and boundaries defining corruption are changing or unclear. But moderate levels of conflict, and widespread debate (and even scandal) over the rules of public life, can be healthy things: the Collor de Mello scandal in Brazil, for example, mobilised new public opposition to corruption [*Keck, 1992: 4–7*], much as machine corruption in American cities gave rise to a reform movement. Over time, social empowerment can help sustain reform, both within institutions and at the level of day-to-day economic and political activity.

What various examples of social empowerment in differing societies will have in common is the emerging strength of the groups and interests which make up civil society – that is, organisations, enterprises, and informal social networks active in the realm between individuals and government. Even when such groups do not have overt political agendas or allegiances, they play very important roles. Where social empowerment is effective, institutional reforms, and the official rules of decision-making and administration, can converge with social values, and thus grow in legitimacy and effectiveness. Conflicts over the rules of politics and government may grow out of the self-interests of private parties, but the settlements that can emerge among private and public parties will be the more legitimate and durable precisely *because* those

interests have been engaged. In this way, social groups and private interests can become, not the instigators or targets of corruption, but 'law merchants' [Cooter, 1997: 191] supplementing official laws with strong social norms and aiding in a transition towards the rule of law. Society will not be completely free of corruption – far from it – but over the long run, social and legal values can become interlinked in a 'system of public order' [Rogow and Lasswell, 1963: 67].

Pursuing Social Empowerment

A discussion such as this one can only point in general terms towards social trends and groups which may prove helpful in the struggle against corruption. In exploring the connections between social empowerment and reform, there is no substitute for the experience and judgements of officials and scholars deeply familiar with the specific personalities and conflicts, problems and opportunities involved in a nation's politics. None the less, we can point to three major challenges.

(1) *State and Civil Society*: Both the fundamental strength of civil society and the overall balance between it and the state are critical aspects of any reform strategy. Where the groups, interests and organisations of civil society are vigorous, they can serve as political and communication links (both upward and downward) between government and people. They can monitor the conduct of officials, and of each other, and through conflict and competition can reach settlements regarding acceptable political practice that engage private interests in the reduction of public corruption. This is a critical development: while anti-corruption campaigns are obviously important, institutionalising reform means linking it to enduring incentives. The same interests that had previously contributed to corruption, either as instigators or as paying victims, can come to inhibit it to the extent that they are numerous and well-organised, experience a healthy competitive balance among themselves, and become better able to insist upon less exploitative treatment by officials.

The state–society relationship can become imbalanced in a variety of ways. Where civil society is weak, citizens and private interests are vulnerable to exploitation by political and/or bureaucratic monopolies and, because they lack the political means and organisational strength to insist on their formal rights, often respond to corruption in evasive or illicit ways [Alam, 1995], minimizing its costs or fighting it with more corruption. People and firms will have little reason to think that if they were to refrain from corruption others would do the same. On the other hand, where the state is poorly institutionalised, government power and public officials can be exploited by powerful interests in civil society – as arguably occurs in many liberal

democracies – and there, the balance tilts in the other direction. Politics and administration may be permeated by sectoral interests and become ‘privatised’ in the worst sense of that term. Where state and society are in balance, however, it is more difficult for either side to exploit the other.

Civil society is not a unified entity in its own right; strengthening it is a complex, group-by-group process whose details will differ from country to country. This must be done in order to speed the development of countervailing political interests and to institutionalise both boundaries and channels of access between government and people, legitimating the former while drawing it into more extensive but orderly interactions with the latter. This is by no means a simple task: if social interests gather strength faster than do the institutions defining boundaries and paths of access between state and society, we may create an apparent surge in corruption, as once-concealed practices come to light, elite consensus breaks down (as happened to Italy’s anti-communist coalition after the end of the cold war, with the *mani puliti* and *tangentopoli* scandals among the results), whistleblowers begin to feel free to speak, and organised corruption gives way to more fragmented and disruptive practices. But these can be indicators of a breakdown in the old systemic corruption. Thus, while institutional reforms without a firm social foundation are unlikely to succeed, the cultivation of civil society is not a substitute for institution-building. The two must work together.

The development of civil society will be disorderly, particularly as compared to the immediate aftermath of anti-corruption coups or official crackdowns. But vibrant civil politics is inherently disorderly, and indeed this helps us understand why anti-corruption coups do not work. Attempts to fight corruption by seizing central control and cracking down from above – even where the anti-corruption intent is genuine, as it often is not – may temporarily put a chill on corrupt activities. But in the long run they inhibit the very processes – political competition, overt and self-interested conflict over rules and standards, and the free mobilisation of social groups around issues of scandal – that are needed to build a new system of public order. Sustained political leadership and support from international aid partners will be more effective at increasing the political and economic competition, and the strengthened civil society, needed to weaken the monopolies underlying systemic corruption. There is no guarantee that the system will never revert to its bad old ways, but political competition will strengthen elites’ incentives to confront the problem directly, and the improved economic performance likely to result from reduced corruption can create incentives sustaining the overall process [*Rose-Ackerman, 1996*].

A strong civil society can also be a check upon official conduct, and critical to accountability, because ‘transparent’ procedures mean little if no one outside the state can demand a meaningful accounting backed up by credible

threats of political or legal sanctions. The anti-Collor public protests in Brazil, already noted, hardly eradicated the deeper causes of corruption [Keck, 1992: 7]; but without them, many political officials would have found it easier to avoid confronting the president. Similarly, the corruption convictions of two former South Korean presidents in recent years were a harrowing experience for that society, but when these cases are viewed within the context of the country's gradual democratisation they can also be seen as indicating a significant degree of pluralisation and the emergence of significant anti-corruption forces outside the state. But without a strong civil society to energise them, even a full set of formally-democratic institutions will not produce accountability. At a lower level of aggregation, a weak civil society will provide little sustaining force or protection for free social interaction. Cooter [1997] shows that where people freely and repeatedly interact, they tend to form strong and legitimate social norms. Survey and interview research on popular conceptions of right and wrong suggest that most citizens judge public dealings, as well as each other, by social norms learned in everyday situations [Johnston, 1991]. In advanced economies business and professional groups promulgate codes of good practice and can impose anti-corruption sanctions of modest scale relatively quickly, on a lower burden of proof than those required in court.¹ Where civil society is weak, by contrast, vital social support for limits on corruption is lost.

(2) *Orderly Interaction and Access*: A second major task is to foster more extensive interaction between private parties and government, in such a way as to encourage each side to respect the autonomy of the other. I use 'autonomy' in Huntington's sense – not to refer to complete independence or isolation of government from society, or *vice versa*, but rather to the ability of each to maintain its boundaries and prerogatives while dealing with the other. Mutual autonomy thus implies not only that citizens know and value the duties and functions (not to be confused with personal power) of officials, but also that officials respect the rights of citizens, and that both come to regard legitimate procedures as serving mutual ends. Private individuals and groups will be better able to insist on their rights; and where official processes become more transparent and access to those agencies is made easier, 'gatekeeping' officials and functionaries will be less able to create contrived shortages, manipulate monopoly positions and bureaucratic bottlenecks, or otherwise exploit their roles.

What of the citizens' commitment to established rules? I have already suggested that where private interests are not only well organised but also numerous and competitive, they may be able to monitor and check each other. But it is also important to give citizens a direct stake in process as well as in outcomes. This can be done through more effective taxation: when the

continuing costs of governmental processes are tangible and perceptible, people will acquire a stake in knowing how government does its business, rather than just caring about outcomes. Historically, effective taxation did more than just enhance revenues; indeed, for Weber [1946 *edn.*: 204-9], it was a 'presupposition of bureaucracy' allowing regular salaried compensation for officials and weakening the notion of personal service to patrons as the primary obligation of office. Regular salaries based upon revenues collected and distributed by full-time administrators created incentives to effective administration and record keeping, and helped pave the way for a permanent, efficient civil service enforcing its own codes of behaviour with salaries as an important means of control. The growing effectiveness of these functions meant, in turn, that further revenues could be collected, reinforcing the trends already underway. Theobald [1992: 22-4] argues that the *absence* of this self-reinforcing cycle in poorer nations today sustains corruption: administratively weak states are less able to extract revenues, and therefore less able to foster economic development, which means that such economic surpluses as *are* created remain in small-scale, difficult-to-tax segments of the economy. Meanwhile, government salaries remain grossly insufficient and therefore officials devote much of their energy to finding illicit income rather than to carrying out their nominal duties.

A related idea would be to institute officially-recognised fees for government services. Not only would this reduce corruption in a definitional sense, by making legitimate many side-payments that are already taking place and are undermining respect for established procedures; it might also mean that citizens would encounter officials more as equals and come to expect value for money – a form of accountability, after all – rather than accepting the terms dictated by corrupt officials. More effective taxation and legitimate fees for service could also raise the salaries of bureaucrats who, in some countries, have little choice but to increase their incomes by any means necessary including corruption. Many of today's low-corruption democracies passed through phases in which fees for service were the norm; such relationships were a significant step in the development of stable mutual expectations between citizens and officials.

To the extent that relationships and encounters between individuals and social interests on one side, and officials on the other, become more orderly and predictable, both sides are more able and likely to think in terms of, and to plan for, the longer term. At that point, people and businesses can begin to perceive the long-term costs and risks of corruption and to calculate them against its apparent short-term benefits. Corruption, after all, is an expensive and risky form of influence; corrupt officials often do not 'stay bought', and a person or group which benefits from corruption today may be its victim tomorrow. If and when those groups in civil society come to believe that they

can pursue their goals by other means, the reduction in risk and expense attending a reduction in corruption may become decisive incentives. Corruption can be risky to officials as well, particularly if entrenched corruption networks have begun to weaken; if positive systems of legitimate incentives can be substituted for bribe income, some officials may find pressures to accept the latter less compelling [Mookherjee, 1997]. These incentives can be intangible as well as monetary: Gruber [1987] reminds us that bureaucrats' motivations are complex and critical to the question of political accountability. Most care about the functions they are supposed to perform; once assured of a living wage they may respond positively to changes that increase their effectiveness, professional status, and sense of personal security.

(3) *Balancing opportunities*: Social empowerment also requires finding a balance between political and economic opportunities. Huntington [1968] argues that where economic opportunities are relatively plentiful and political opportunities scarce, people may try to buy their way into political power; and where political opportunities are plentiful and economic advantage more difficult, people are more likely to use political power to enrich themselves. Thus, economic and social development must take place in a rough balance, or else growing strength in either sector will foster more corruption in the other [Johnston, 1997c]. This 'balance' is both important and particularly difficult to identify in practice; it will differ in its details from place to place, and the judgements of experienced observers will be needed to assess the state of play in any nation. Suffice it for now to say that while many nations need economic growth first and foremost to address human needs, it is also needed to revive civil society as a counterbalance to the state, to open up legitimate economic opportunities beyond the control of corrupt monopoly combines, and to end the 'zero-sum' competition over material necessities that so often makes corruption a necessity for survival. Huntington's injunction is a reminder that if economic growth is not accompanied by wider political access and opportunities, we may simply be trading one mechanism of corruption for another. The 'balance' notion also applies *within* the economic and political sectors: a diverse economy is likely to have fewer 'bottlenecks' that can be exploited in monopolistic fashion, while the more competition and non-violent conflict within a political system, the better it will be able to provide political checks upon corruption in the middle to long term, and the more difficult it will be to contrive and exploit political or bureaucratic monopolies over access, influence and distribution.

Such a balance of opportunities raises difficult questions of priorities and sequencing. Scarce and unbalanced political and economic opportunities are ultimately a product of uneven development and insufficient competition

within the political and economic realms, and of a lack of clear boundaries and orderly paths of access between them. (This argument is developed in more detail in Johnston [1997b].) If corruption is indeed a symptom of deeper and broader development problems and imbalances, broad-based, long term strategies are required for reform. But the fundamental nature of those underlying problems, together with the very real and immediate power of political and economic interests with a stake in continuing corruption, make it difficult to identify the 'entry points' for reform. If every aspect of the problem is connected to every other, many things may need to be done at once; but if political and economic competition are weak, and civil society is exploited and dependent upon entrenched interests, what opportunities have would-be reformers got?

Meaningful civil liberties are a place to begin. An independent press and opposition groups will more likely develop if accorded basic civil liberties, as will sustained social interaction. Civil liberties also allow losers from corruption to take direct countervailing action, rather than responding in illicit or evasive ways which further perpetuate corruption and weaken opposition to it [Alam, 1995]. On the economic side, the first step would be credible guarantees of property and contract rights [Keefer, 1996; Knack and Keefer, 1995]. Over time we would expect this to increase economic alternatives, weakening dependence upon corrupt officials and helping strengthen civil society. Similarly, aid for emergent sectors of the economy and for the most deprived regions of a country (admittedly complicated tasks) can create new economic opportunities outside of established corrupt networks and empower new political constituencies.

Where civil liberties are reasonably secure, public opinion can be mobilised against corruption. Hong Kong's Independent Commission Against Corruption (ICAC) used extensive innovative social strategies to complement its impressive investigative and prosecutorial powers by producing significant changes in public attitudes. Corruption in pre-ICAC Hong Kong was certainly entrenched. Worse, most citizens saw it as inevitable and resistance as futile. Over the quarter-century between its creation and the return of Hong Kong to China, the ICAC's massive, well-produced public relations and civil society campaigns broke the belief that corruption was inevitable. Television advertisements published a telephone number for complaints and promised protection. In these campaigns and in materials distributed to school children, corruption was portrayed as harmful to families, to the economy, and to traditional Chinese values. ICAC-funded concerts and sporting events fostered social interaction with an anti-corruption theme, particularly among the young. People began to report abuses to the ICAC, and by the 1980s young people in Hong Kong took a stricter view of corruption than did their elders – a contrast found in few other societies. The ICAC's future is unclear, but it changed for

the better a social environment that tolerated corruption and helped sustain it [Clark, 1985; Manion, 1996].

Broadened political alternatives also weaken corrupt monopolies. One approach is to establish independent arenas of appeal against corruption and other abuses, chiefly in the courts but also in the form of mass media, investigative agencies and ombudsmen open to public complaints and scrutiny. The goal is to encourage, protect, and follow through upon direct countervailing action. The second, much broader, task is to foster significant and institutionalised political competition, creating opportunities for political forces to win and lose significant power through publicly visible processes. Competition will be beneficial even if some parts of society are not initially included. England's seventeenth century parliaments, for example, played major roles in resisting the abuses of royal patronage both before and after the Civil Wars, even though they were strikingly unrepresentative by modern standards [Peck, 1990]. Alternatives must be meaningful, but structured: one party presents no choice at all, but 20 or 30 of them are unlikely to have agendas much broader than the personal interests of their leaders, or to be able to win enough power to resist corruption.

The 'Old Corruption' tradition of electoral abuses in Britain was ended in part through enhanced political competition. At the beginning of the nineteenth century British elections featured extensive vote-buying and intimidation. Electorates were small – in many constituencies, no more than a handful of people had the franchise – and landlords and urban patrons built local political monopolies through a mixture of threats and bribes. Farm tenants could lose their livelihoods if they did not vote the right way, while the few urban residents who could vote were often paid for their support. Frequently the patron or a crony stood unopposed; even where there was opposition, patrons held extensive leverage because the ballot was not secret.

But the 'old corruption' was vulnerable to reform. Controls on campaign spending helped but even more important were two changes which significantly increased political competition: the expansion of the electorate and the secret ballot. Reform Acts in 1832, 1867, and later expanded the franchise, at first marginally and then greatly, creating an electorate too big to bribe. Parties had to become more organised, both to mobilise thousands of voters and, once in government, to deliver on the public commitments that took the place of bribes. Parties competing nationally for parliamentary majorities fielded candidates and campaigned in more constituencies, wiping out local monopolies and giving voters meaningful alternatives. The 'old corruption' hung on for a time, but its death knell was the secret ballot instituted in 1872. Now, a patron had no way of knowing whether voters stayed 'bought' or intimidated, and the voter could more freely change from one party to another, intensifying competition even in remote areas. By the century's end

the 'old corruption' was largely a thing of the past [*O'Leary, 1962*].

A focus on the excluded offers another point of entry. Important as enhanced political and economic opportunities (and a balance between them) are, the internal political economy of growth and change is also a critical issue. I have suggested above that the widening of political and economic opportunities within societies is an important aspect of the struggle against systemic corruption, and a way to institutionalise reform over the long run. The economic and political strands are intertwined: broad-based growth is likely to strengthen civil society and social interaction, which in turn is a necessary (if not sufficient) step toward greater political competition; such competition, to the extent that it weakens corrupt monopolies, is likely to aid further (and broader-based) economic development, and so on.

This suggests that planners, aid partners and officials in charge of economic development should pursue policies that open up opportunities for hitherto excluded groups and regions – not just for their own sake, but as a way of increasing the strength of civil society and broadening the base of political and economic activity. Admittedly, these are not simple policies to formulate and execute, and even enlightened political leaders will look askance at economic development proposals likely to strengthen opposition interests. But it is worth emphasising here that a number of development ideas of considerable merit in their own right may also have long-term anti-corruption benefits. These would include literacy and other education programmes, particularly those aimed at women and young girls; micro-credit initiatives that not only provide economic resources but also help build local organisations; broader development schemes that as far as possible are aimed at the poorest people and regions, and encourage development that is not dependent upon corporate or bureaucratic 'middlemen' for success; transportation and communication schemes that link peripheral areas more closely to the rest of society, and so on.

There is nothing intrinsically new, and surely nothing simple, about any of these proposals; but what they have in common is the goal of increasing the number, and the autonomy, of interests in society, and reducing their vulnerability to and dependence upon the monopoly practices and petty favours of corrupt officials. It may well be that, in addition to careful reforms and oversight of political and bureaucratic institutions, one of the most effective ways to combat systemic corruption and to institutionalise reform in the long run is to build a society that is less easily exploited by the holders of wealth and power.

CONCLUSION: ANTI-CORRUPTION EFFORTS AND DEVELOPMENT POLICY

In recent years something approaching a consensus has emerged regarding the harmful effects of corruption upon economic and political development. A parallel view – less than a consensus, but for now the dominant outlook nonetheless – has emerged around the value of economic and political liberalisation as the way forward for international development. At first glance, the reform approach proposed here may appear simply to be just more liberalisation. Certainly enhanced political and economic competition are the cornerstones of the argument, though the goal is not just competition for its own sake, but rather to break down corrupt political and economic monopolies and to open up paths of political and economic participation for people and groups hitherto exploited by, and dependent upon, those monopoly interests.

But social empowerment as I envision it is not just liberalisation. Instead, it is based at the level of everyday life, and focuses upon the range of options and resources open to ordinary citizens. Moreover, it involves a substantial component of institutionalisation: in civil society, as interaction fosters stronger social norms, and in the state–society relationship, as open paths of access between state and society bring about a balance between both while boundaries between public and private resources, processes and interests are made clearer and more legitimate.

Institutionalisation is not a part of this strategy simply for reasons of analytical symmetry, but also because of a fundamental problem raised by the drive toward liberalisation. That gap, essentially, is one of values: if liberalisation is our basic prescription for development, where if anywhere are its limits to be drawn? What is *not* to be put up for sale via liberalised economic or political processes? Do both politics and economics become a free-for-all, with ends justifying the means? Admittedly this is something of a caricatured view: but if it contains an element of truth it suggests that without a healthy measure of institutionalisation we will encounter real problems in placing limits upon the exercise of market and political power, and that any reductions will be accomplished mostly by repealing the rules rather than by improving the workings of society and its political and economic systems. If we do that we will simply have exchanged one set of development problems for others, perhaps far more serious. In that sort of competition poor people and poor countries will be very much the losers. For this reason, then, I have tried to emphasise (and reiterate here) the potential for building new, more legitimate and effective, norms and standards through orderly political and economic contention in civil society – norms and standards that, as suggested at the outset, are prerequisites for effective institutional reform.

We have also, in recent years, seen an increased concern with 'good governance'. This is only to be welcomed to the extent that it implies a recognition that a peaceful, orderly society is required for effective development, and that some ways of attaining that kind of order are vastly preferable to others (see, for example, UNDP [1997]). But our conceptions of governance have often been quite narrow. While some aid agencies look at governance in general terms – emphasising participation, the rule of law, and the soundness of policy and institutions – some of the largest lenders for a long time saw governance primarily as a matter of orderly project implementation and reliable repayment of loans. Few would deny that these are important, and that they are arguably among the results of good governance, but it may be time for all concerned with sustainable development to look at the broader connections between government and society, and between political and economic development, that are proving to be so important in the research of recent years. 'Governance' might include the state and openness of political and economic competition, the vitality of civil society, and the security of civil liberties and of rights of property and contract.

Brautigam [1992] proposes three dimensions of governance: accountability; openness and transparency; and predictability and the rule of law. An OECD [1995] document likewise points to 'the form of political regime; the processes by which authority is exercised in the management of a country's economic and social resources; and the capacity of government to formulate and implement policies and discharge government functions'. A broader definition of governance, emphasising social empowerment, the vitality of political and economic competition and the soundness of the institutions linking and delineating those spheres – perhaps 'the degree of institutionalisation and openness of the political and economic processes through which social-development decisions are made'? – might produce a worthwhile shift in emphasis from the administration of projects towards the broader-based assessment of a country's political and economic capacity for development.

There are few if any new tricks for dealing with corruption, any more than there are compelling 'solutions' to development problems. Social empowerment as a component of anti-corruption efforts has yet to be tried in any conscious, integrated way. But its basic components are well known, for the most part, and while the reform goals spelled out above are far from easy they are also familiar to us. The way forward may lie less in what we do than in how we understand our reasons for doing it, and the ways in which various strategies interrelate in particular kinds of societies. Sustainable reductions in corruption are possible; but direct attacks upon it as an institutional problem require a sound social foundation if they are to succeed, and if they are to be sustained over the long term. This means that anti-corruption forces must

understand and attack the long-term development problems of societies in which corruption is often embedded, and of which it is a symptom. Doing this, while difficult, is not only the most promising way to attack corruption; it also focuses our attention and resources upon many of the reasons why corruption is important to begin with.

NOTE

1. I am indebted to Peter Eigen for his comments on this point.

REFERENCES

- Ades, Alberto and Rafael di Tella, 1994, 'Competition and Corruption', *Working Paper*, Oxford University, Institute of Economics and Statistics (March).
- Alam, M.S., 1995, 'A Theory of Limits on Corruption and Some Applications', *Kyklos*, Vol.48, No.3, pp.419-35.
- Barro, Robert J., 1995, 'Economic Freedom and Political Democracy', *Swiss Review of World Affairs*, 3 Jan., pp.20-22.
- Brautigam, Deborah, 1992, 'Governance, Economy, and Foreign Aid', *Studies in Comparative International Development*, Vol.27, No.3, pp.3-25.
- Chubb, Judith, 1981, 'The Social Bases of an Urban Political Machine: The Christian Democrat Party in Palermo', in S.N. Eisenstadt and R. Lemarchand (eds.), *Political Clientelism, Patronage and Development*, London: Sage, pp.91-124.
- Clark, David, 1985, 'Dirigisme in an Asian City-State: Hong Kong's ICAC', paper presented at the Thirteenth World Congress, International Political Science Association, Paris.
- Cooter, Robert D., 1997, 'The Rule of State Law Versus the Rule-of-Law State: Economic Analysis of the Legal Foundations of Development', in Michael Bruno and Boris Pleskovic (eds.), *Annual World Bank Conference on Development Economics 1996*, Washington, DC: The World Bank, pp.191-217.
- Easterly, William and Ross Levine, 1996, 'Africa's Growth Tragedy: Policies and Ethnic Divisions', unpublished manuscript, The World Bank, Washington, DC.
- Elliott, Kimberly A., 1997, 'Corruption as a Global Policy Problem: Overview and Recommendations', in Elliott (ed.) [1997: Ch.11].
- Elliott, Kimberley A. (ed.), 1997, *Corruption and the Global Economy*, Washington, DC: Institute for International Economics.
- Gruber, Judith E., 1987, *Controlling Bureaucracies: Dilemmas in Democratic Governance*, Berkeley, CA: University of California Press.
- Huntington, Samuel P., 1968, *Political Order in Changing Societies*, New Haven, CT: Yale University Press.
- IMF (International Monetary Fund), 1995, 'Unproductive Public Expenditures: A Pragmatic Approach to Policy Analysis', *IMF Pamphlet Series 48*, Washington, DC.
- Isham, Jonathan, Daniel Kaufmann and Lant Pritchett, 1995, 'Governance and Returns on Investment: An Empirical Investigation', *Policy Research Working Paper 1550*, Washington, DC: The World Bank, Poverty and Human Resources Division.
- Isham, Jonathan, Daniel Kaufmann and Lant Pritchett, 1996, 'Civil Liberties, Democracy, and the Performance of Government Projects', unpublished manuscript.
- Johnston, Michael, 1982, *Political Corruption and Public Policy in America*, Monterey, CA: Brooks-Cole.
- Johnston, Michael, 1991, 'Right and Wrong in British Politics: "Fits of Morality" in Comparative Perspective', *Polity*, Vol.XXIV, No.1, pp.1-25.
- Johnston, Michael, 1996, 'The Search for Definitions: The Vitality of Politics and the Issue of

- Corruption', *International Social Science Journal*, No.149, pp.321–35 (English language version).
- Johnston, Michael, 1997a, 'What Can Be Done about Entrenched Corruption?', paper presented to the Ninth Annual Bank Conference on Development Economics. Washington, DC: World Bank.
- Johnston, Michael, 1997b, 'Corruption and Distorted Development: Competition, Institutionalization and Strategies for Reform', paper presented to the USAID Conference on Economic Growth and Democratic Governance.
- Johnston, Michael, 1997c, 'Public Officials, Private Interests, and Sustainable Democracy: Connections between Politics and Corruption', in Elliott (ed.) [1997: ch.3].
- Keck, Margaret E., 1992, 'Brazil: Impeachment!' *Report on the Americas*, Vol.XXVI, No.3, pp.4–7.
- Keefer, Philip., 1996, 'Protection Against a Capricious State: French Investment and Spanish Railroads, 1845–1875', *Journal of Economic History*, Vol.56, No.1, pp.170–92.
- Klitgaard, Robert, 1988, *Controlling Corruption*, Berkeley, CA: University of California Press.
- Knack, Stephen and P. Keefer, 1995, 'Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures', *Economics and Politics*, Vol.7, No.3, pp.207–27.
- Manion, Melanie, 1996, 'Policy Instruments and Political Context: Transforming a Culture of Corruption in Hong Kong', paper presented at the Annual Meeting of the Association for Asian Studies, Honolulu.
- Mauro, Paolo, 1997, 'The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis', in Elliott (ed.) [1997: Ch.4].
- Mookherjee, Dilip, 1997, 'Incentive Reforms in Developing Country Bureaucracies: Lessons from Tax Administration', paper presented at the Ninth Annual Bank Conference on Development Economics, The World Bank, Washington, DC.
- Murphy, Kevin M., Shleifer, A. and R.W. Vishny, 1993, 'Why is Rent-Seeking So Costly to Growth?', *American Economic Review*, Vol.83, No.2, pp.409–14.
- O'Leary, Cornelius, 1962, *The Elimination of Corrupt Practices in British Elections, 1868–1911*, Oxford: Clarendon Press.
- OECD (Organisation for Economic Cooperation and Development), 1995, 'Participatory Development and Good Governance', OECD, Paris.
- Oldenburg, Philip, 1987, 'Middlemen in Third-World Corruption: Implications of an Indian Case', *World Politics*, Vol.39, No.4, pp.508–35.
- Peck, Linda Levy, 1990, *Court Patronage and Corruption in Early Stuart England*, Boston, MA: Unwin Hyman.
- Przeworski, Adam and F. Limongi, 1993, 'Political Regimes and Economic Growth', *Journal of Economic Literature*, Vol.7, No.3, pp.51–69.
- Rauch, James, 1995, 'Bureaucracy, Infrastructure, and Economic Growth: Evidence from US Cities During the Progressive Era', *American Economic Review*, Vol.85, No.4, pp.968–79.
- Rogow, Arnold A. and Harold D. Lasswell, 1963, *Power, Corruption, and Rectitude*, Englewood Cliffs, NJ: Prentice-Hall.
- Rose-Ackerman, Susan, 1996, 'When is Corruption Harmful?', unpublished manuscript, The World Bank, Washington, DC.
- Rose-Ackerman, Susan, 1997, 'The Political Economy of Corruption', in Elliott (ed.) [1997: Ch.2].
- Rose-Ackerman, Susan and Andrew Stone, 1996, 'The Costs of Corruption for Private Business: Evidence from World Bank Surveys', Washington, DC: World Bank.
- Sacks, Paul Martin, 1976, *The Donegal Mafia: An Irish Political Machine*, New Haven, CT: Yale University Press.
- Scott, James C., 1972, *Comparative Political Corruption*, Englewood Cliffs, NJ: Prentice-Hall.
- Shefter, Martin, 1976, 'The Emergence of the Political Machine: An Alternative View', in Willis D. Hawley et. al., *Theoretical Perspectives on Urban Politics*, Englewood Cliffs, NJ: Prentice-Hall.
- Theobald, Robin, 1992, 'On the Survival of Patronage in Developed Societies', *Archives Européenne de Sociologie*, Vol.XXXIII, No.2, pp.183–91.
- Thompson, Dennis F., 1993, 'Mediated Corruption: The Case of the Keating Five', *American Political Science Review*, Vol.87, No.2, pp.369–81.
- Thompson, Dennis F., 1995, *Ethics in Congress: From Individual to Institutional Corruption*, Washington, DC: The Brookings Institution.

- UNDP (United National Development Program), 1997, *Corruption and Good Governance*, Discussion Paper No.3, UNDP, Management Development and Governance Division, New York.
- Weber, Max, 1946 ed., 'The Presuppositions and Causes of Bureaucracy', in H.H. Gerth and C. Wright Mills (eds.), *From Max Weber: Essays in Sociology*, New York: Oxford University Press.
- Wei, Shang-Jin, 1997, 'How Taxing is Corruption on International Investors?' mimeo, Kennedy School of Government, Harvard University.
- World Bank, 1997, *The State in a Changing World: World Development Report 1997*, Oxford: Oxford University Press.