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The Economist

Corruption in Latin America

Wanted—a crusade to purify public life

A rash of scandals is testimony to greater scrutiny as much as more widespread sleaze. But there are many more things governments could do to clean up

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ARGENTINA'S former president, Carlos Menem, is under house arrest on suspicion of involvement in an arms-trading scandal. Paraguay's president, Luis Gonzalez Macchi, who was recently discovered to be driving a stolen BMW car, faces calls for his impeachment over fraud allegations, as does Brazil's Senate president, Jader Barbalho. In Peru, more than 60 people —among them politicians, judges, generals and businessmen—have been detained, caught in the web of corruption spun by the regime of Alberto Fujimori, who was ousted as president last year. In Colombia the national auditor's office reported this week that corrupt officials creamed off $27m last year from the education budget. In Mexico President Vicente Fox has launched a plethora of initiatives to crack down on endemic corruption.

Mr Menem has not been charged, and denies all wrongdoing. But the arrest of a former president until recently seen in some quarters as a symbol of modernisation has shaken Argentines. And across Latin

America opinion polls reveal a belief that corruption is flourishing as never before. In a region where poverty and inequality re[illegible] disappointingly widespread, perhaps nothing is more corrosive of public trust in democracy than the belief that the politicians imp[illegible] on the many while lining their own pockets, and those of their fat-cat friends in an often monopolistic private sector. But belief may be outstripping reality. Corruption is notoriously hard to measure. However, surveys of how prevalent businessmen and others believe it to be, carried out by Transparency International, a non-governmental organisation, suggest that though some Latin American countries are becoming more corrupt, others are improving (see chart).

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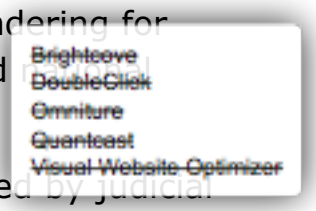
Certainly, privatisations have too often been tainted by corruption, and contracts padded, and bribery and influence-peddling remain common. The drugs trade and the need to finance political campaigns have both played a role in spreading corruption. But a sense of perspective is needed. Democracy, and a smaller role for the state in the economy, reduce the opportunities for sleaze. The biggest corruption scandal in Latin America was probably in Venezuela in the 1980s, when a government decision to adopt multiple exchange rates saw $11 billion in hard-currency reserves vanish. Under the dictatorship of General Alfredo Stroessner in Paraguay, corruption was the rule rather than the exception. Its critics would say the same of the rule of Mexico's Institutional Revolutionary Party (PRI), ended by Mr Fox's election victory last year.

Indeed, the current crop of corruption scandals may merely be a sign that wrongdoing is more likely to be exposed. In Brazil, "there has never been as much transparency as now, and there has never been a government so willing to avoid covering things up as now. Never was society so demanding as now, nor the media as active," President Fernando Henrique Cardoso told *The Economist* this week.

Many countries have enacted reforms that should inhibit corruption.

Brazil, for example, now has compulsory competitive tendering for government purchases, and a requirement that local and [illegible] governments produce detailed accounts.



But the effectiveness of such laws is too often undermined by judicial failings. “The big gangsters have lawyers and use the justice system to block their cases from advancing,” says Mr Cardoso. Attempts to reform Brazil's civil and penal code have got nowhere. In Argentina, Mexico or Mr Fujimori's Peru, judges and prosecutors have been susceptible to political pressure. In Nicaragua, whose media are unusually free and feisty for a small Central American country, tame judges have helped corruption to persist. But in some countries there are signs that the judiciary is becoming more independent.

Governments could have done much more to clean up public life. At the first Summit of the Americas in 1994, the continent's leaders drew up a grand plan against corruption. In 1996 they agreed on an Inter-American Convention Against Corruption. But the good intentions expressed in both documents have largely remained just that. On June 4th, at the Organisation of American States' annual meeting in Costa Rica, the governments at last agreed to create a vague “follow-up mechanism” to monitor each other's progress on implementing the convention.

The World Bank has faced resistance in some countries to its offers to pass on know-how to combat corruption. But not everywhere: in Colombia, the Bank has begun a confidential survey of public officials and government suppliers, to try to gauge how much corruption exists and how it is carried out. In Brazil Marta Suplicy, the new mayor of Sao Paulo, who is from the moderate wing of the opposition Workers' Party, has invited the Bank to help her stamp out the countless frauds that have added to the problems of South America's largest city.

In the end, says Miguel Schloss, Transparency International's director for Latin America, there will be successful action against corruption only if the process is depoliticised. In Chile, for instance, the organisation's local branch assembled a cross-party group to report on the government's compliance with the Inter-American Convention Against Corruption. No one accused the group of political bias, says Mr Schloss.

But in many countries the fight against corruption remains a partisan, rather than civic, cause. In Brazil, the opposition is seeking a wide-ranging congressional inquiry into various corruption claims against figures in the governing coalition. That might do some good if it were conducted responsibly. But Mr Cardoso seems to have a point when he argues that it is motivated less by a genuine desire for a thorough investigation than by a wish to throw as much mud at him as possible in the year before a presidential election.

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Yet corruption has tended to flourish where political opposition is weak, as in Mexico under the PRI, in Colombia, or in Venezuela's two-party oligarchy, turfed out by Hugo Chavez in 1999. That makes Mr Chavez's concentration of power in his own hands look ominous. So is a power-sharing pact in Nicaragua between the ruling Liberals and opposition Sandinists.

A vigilant (if not partisan) opposition, inquisitive media, a stirred up citizenry, independent judges, tighter rules and more open government: all are needed if Latin America is to clean up its democracy.

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