

# Political Corruption

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**Abstract.** *Political corruption represents a specific type of public-to-public corruption which implies that one participant of corrupt transaction belongs on the State and the other to the private sector: in fact, public corruption is a particular (and, illegal) State-society relationship. Political corruption occurs when politicians, who are delegated to make laws and enforce them by the citizens, act themselves in a corrupt way. More precisely, it appears when policymakers exploit their political strength to pursue their own economic benefits and/or maintain their powerful position.*

## Introduction

To begin, it is important to define the word 'corruption'. According to Jain (2001), "*Corruption is an act in which the power of public office is used for personal gain in a manner that contravenes the rules of the game*". Here we are only referring to public-to-public interaction and not private-to-private. While public-to-public corruption usually involves a private party on one side and public official or member of State on the other, private-to-private corruption is any form of illegal transaction between associations or corporations within the private sector. When, for example, a director or employee gets involved in practices that are not part of his responsibilities and that are detrimental to the company he is working for but advantageous for himself or others, this can be defined as private-to-private corruption: "*the type of corruption that occurs when a manager or employee exercises a certain power or influence over the performance of a function, task, or responsibility within a private organization or corporation*" (Argandoña 2003).

For many years different political scientists have approached the subject of political corruption and the difficulty in defining the term. In some cases, certain practices may be considered legal (for example certain forms of bribery), consequently making corruption appear less prevalent, or occasionally also having the adverse effect (Olken and Pande, 2011). After, Peters and Welch (1978) explained that "*the systematic study of corruption is hampered by the lack of an adequate definition*" and "*What may be 'corrupt' to one citizen, scholars, or public official is 'just politics' to another, or 'indiscretion' to a third*", many have tried to come up with different ways of solving the problem.

As we can deduct from Jain's definition, corruption usually stems from three different circumstances - weak institutions, discretionary power and economic rents.

Firstly, regarding weak institutions, the rewards gained from corruption will always have to be more significant than the foreseen payoff from the process of being discovered and punished. Secondly, for corruption to occur, the State member in question must be able to control the designation of resources in a discretionary manner. Lastly, it must be possible to extract rents or create extractable rents on behalf of the discretionary power.

Therefore with regards to public-to-public corruption, as mentioned above there are two sides – the State (politicians, bureaucrats, civil servants, officials and anyone who has discretionary power over society) and the private party. When politicians (or any State members) take advantage of their position to unlawfully obtain resources to their advantage (or in favour of others), this is considered to be corrupt practice which is carried out on the boundary between public and private environments.

Business and financial corruption which are widespread and indeed any transactions which happen exclusively in the private environment, away from the public sector, will not be considered in this voice.

It is worth identifying what actually constitutes corruption. Some practices are illegal but are not actually defined as corruption because they are not linked to political power. These include money laundering, fraud, drug smuggling and black market transactions.

Another important point is the close link between politics and organized crime. Furthermore, there is even a new type of ‘business politician’ or ‘entrepreneur’ who *“combines mediation in (licit or illicit) business transactions, first-hand participation in economic activity, and political mediation in the traditional sense”* as stated by della Porta and Pizzorno (1996).

There is a specific analysis of corruption, known as the ‘principal-agent analysis’ (Rose-Ackerman, 1978), which involves considering three main agents or ‘actors’: the principal (the State), the private agent (citizen or company) and an agent (a public official) who in theory follows the interests of the principal. If the private party wants to obtain an advantage, he pays a bribe to the public official to help him instead of carrying out the interests of the principal. This is considered to be corruption.

Corruption can happen on two levels – bureaucratic and political. Bureaucratic or petty corruption is corruption in the public administration where bureaucrats (known as the ‘actors’) use their public position for financial or non-financial benefits. Political or grand corruption, on the other hand, is when politicians are corrupt and use their power for illegitimate financial gain and to maintain their political position. They are given the right to make decisions and to create laws but they abuse this right in order to satisfy their own requirements.

Since political corruption has many different aspects, it is a difficult task to come up with a conclusive definition of the term. The characteristics and objectives of political corruption depend on the polity under discussion. Nye (1967) gives this statement about political corruption as: *“behavior which deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains: or violates rules against the exercise of certain types of private-regarding influence”*. The various forms of political corruption can be recognized and analyzed by using an overall definition as a starting point.

It is worth noting that political and bureaucratic corruption are in fact inextricably linked as in the two different spheres their areas of competence can become interchangeable. However, for our objectives, the two different forms of corruption should be analyzed in practical terms.

In this encyclopedic voice, the focus is on political corruption, as opposed to general corruption, therefore one can concentrate on the political actors and the public environment in which they perform. Political corruption has a complex nature with a wide range of aspects which should be outlined. Although an extensive classification of

the subject could reduce the analytical study, it is necessary in order to fully understand the different forms and characteristics.

### **Different types of Political Corruption**

Political corruption is not only a question of breach of formal legislations, of code of conducts and court rulings, but it also has a deeper impact on the entire political system. It can have a negative influence on decision-making, leading to the mishandling of procedures and finally the breakdown of political institutions.

While political corruption involves politicians carrying out illegal practices in order to maintain their position and improve their personal situation, it does not include police misconduct or suppression of political rivals. It is also important to clarify if the political corruption is taking place in democratic nations or dictatorial countries, due to the fact that there is lack of accountability between those in power and 'the people'. There are problems with political corruption in dictatorial countries as the legal framework is already fragile, making it difficult to assess corruption and often leading to infringement by the leaders. Therefore the legal infrastructure of the State cannot be used as a point of reference to determine the extent of political corruption.

While bureaucratic corruption can often be approached by using administrative means (auditing, legislation and institutional organization), political corruption with its detrimental consequences, needs a much stronger solution. It is necessary to use legislative, moral, ethical and political reference points first and foremost to differentiate between legality and legitimacy regarding political corruption.

Major political reforms are essential for fighting local political corruption. In the majority of dictatorial countries, political corruption is a routine event. As bureaucratic corruption is often rife in these regimes, this encourages political corruption, which obviously varies according to the different types of authoritarianism. Rulers of these countries use corrupt means in order to empower themselves and maintain their political status.

With regard to democracies, political corruption is more of a sporadic and incidental event and can therefore often be resolved by means of reforms and reinforcing the political framework and institutions of checks and balances.

Political corruption can be divided into different categories, mainly 'personal' and 'institutional' or 'collective' corruption. The difference depends on what extent the financial (or other) rewards from the corruption are 'privatised'. While some may share the extraction with his associates, others will keep most if not all of the rewards for himself. 'Personal' corruption is when politicians abuse their status to illegally obtain benefits for 'personal' gain. A very common example is the acceptance of bribes by politicians and giving out benefits in return. On the other hand, 'collective' corruption is a form of corruption which involves extracting resources for the benefit of a bigger group or organization, not just the private individual. Public power is abused for 'private' gain, which does not necessarily mean for the personal benefits of one person but also for 'collective' gain, for private groups. It is often the ruling parties and/or potential ruling parties, national governments and administrative authorities that become involved in this form of corruption, using the resources at hand to their own advantage.

There is a significant distinction to be made between political corruption and 'lobbying' when talking about 'collective corruption'. According to some (Damania et al. 2004, Harstad and Svensonn 2011, Campos ad Giovannoni 2007), the definition of 'corruption' only refers to petty or bureaucratic corruption, whereas any form of practice done to influence policy-makers, should be referred to as 'lobbying'. However, this definition cannot be applied to all political systems as it does not distinguish between what is legal and what is illegal when influencing policy-makers and does not take into account the regulations in all countries. While in the United States, where it is completely legal to provide pecuniary payments to policy makers (lobbying) and the definitions of petty corruption and lobbying may be applied, in other nations the same payments are regarded as illegal and therefore politically corrupt.

It is worth looking at the procedures used to obtain private gains within the political environment in order to distinguish between the different forms of political influence (including lobbying) and political corruption. Since political corruption occurs when politicians obtain private benefits by means of non-transparent, unofficial procedures, one could say that lobbying is a particular form of corruption as it is still a way of gaining benefits from public entities or legislative organizations, with favours being given in return. However, lobbying and political corruption do have their differences which need to be noted. Lobbying is not always a case of bribes and campaign contributions. According to Austen-Smith and Wright (1994), lobbyists are capable of influencing politicians as they share competences and know-how which some politicians lack. Grossman and Helpman (1999 and 2001) mention how some lobbyists even threaten politicians by saying they will give voters detrimental information about their policies while others sway politicians with endorsements.

Other two types of corruption are 'transactive' and 'extortive' corruption. 'Transactive' corruption is an illegal exchange between a donor and a recipient, where both actors benefit. 'Extortive' corruption usually involves coercion of some sort so that the donor and people he is close to are not hurt in any way. Transactive practices are in theory based on reciprocity. It is a transaction between public officials (the State) and private actors (society) where both parties benefit from the exchange. In this corrupt exchange there are two further distinctions to be made between 'redistributive corruption' and 'extractive corruption'. With 'redistributive corruption' it is the State who provides the private citizen or businessman with the resources, while 'extractive corruption' is from the private actor to the State. Even though in theory the relationship is a reciprocal one, in reality this is rarely the case. In some nations or States in the world, the State plays the weaker role in transactions with society. Here redistributive corruption might take place as the mafia is rife and prevalent clientelism, which means that the State loses power as these private individuals or groups form a corrupt relationship with the State but end up with more benefits than the State itself.

'Extractive corruption', on the other hand, is when the State has the upper hand in the relationship. This is often seen in the political framework of various authoritarian States. The corrupting group or individual plays a passive role as the State (the corrupted) has the advantage in the corrupt exchange.

## **The principal causes of Political corruption**

It is a complex task to try and find the reasons behind political corruption. Rose-Ackerman (1996) states: *“Many officials remain honest in the face of considerable temptation, and others accept payoffs that seem small relative to the benefits under their control. Others, however, amass fortunes. The level of malfeasance depends not only on the volume of potential benefits, but also on the riskiness of corrupt deals and on the participants' moral scruples and bargaining power”*.

Various theories explain the widespread phenomenon of political corruption through cultural and moral factors typical of a country. When considering the factors that contribute to the onset and spread of corruption, an important role should be assigned to the cultural, ethnic and social framework that fix in the ‘moral’ of a country the seriousness of an act of corruption. Cultural norms, that vary from State to State, pose a boundary between a gift and a bribe or favoritism: therefore the definition of what is corrupt or not is a cultural thing (Rose-Ackerman, 1999) and what can be defined by a corrupt external observer can be considered as an acceptable gift within a country.

However, the economic analysis of the causes and the extent of political corruption cannot and must not be limited to cultural factors. In fact, in addition to these, one needs to consider structural and institutional (economic and political) aspects that may override cultural interpretations (the latter is sometimes used as a way of justifying corrupt practices in some countries).

It is worth noting that the framework or ‘structure’ of the administration and how well the institutions of a country work can influence the spread of corruption. For example, in Britain where the administrative organization is separate from the political system and the political parties were institutionalized at an early stage, there is notably less local political corruption. If there is a clear boundary between the two different systems (social and political procedures from political and economic ones), it is more difficult for politicians to enter into the bureaucratic environment.

In some countries, the presence of so-called ‘regional brokers’ or different forms of mafia has meant that the social order of these States has been weakened. Due to the particularistic and fragile financial and administrative network in these countries, the State has had to depend on these ‘brokers’ to function locally.

It is worth mentioning that each State develops in different ways, so it is perhaps incorrect to conclude that the infiltration of these groups between the bureaucratic authorities and political system is the main cause of political corruption. That said, widespread clientelism may indeed be largely to blame for the corruption problem. Della Porta (1997) mentions how the links between clientelism and corruption and weak administration structures and corrupt practices have become ‘vicious circles’ from which it is incredibly difficult to break free.

Another cause of political corruption identified in literature, is government intervention in the economy. This intervention creates income managed on a discretionary basis by public officials, which in turn can generate corruption. Due to the growth of the welfare state and public sector, the political elite now have the monopoly over many financial resources.

It is easier for members of State and private individuals to sidestep rules and regulations as decisions are not influenced by the workings of the market but linked to these rules.

While the focus so far has mainly been on the reasons and opportunities for one to enter into corrupt practices, it is also important to look at ‘institutional’ and ‘political’ factors.

One significant factor is in what political context the corruption takes place. There is a widespread belief that corruption is measured by the level of democracy in a country. The more democratic a State, the less corrupt it should be. According to Friedrich (1993) the more lawful the country, the less likely corruption will evolve.

However, in some authoritarian countries, dictators are able to control the extent of corruption. In other words he will be able to decide who benefits from the State resources. For this reason, in some countries under powerful dictatorships corruption is actually less rife. The citizens will consider these States a legitimate entity as they have the power and ability to carry out social changes and promote economic production as well as to manage law and order.

Regarding the functioning of political parties, we must consider the different methods of financing of political parties, and the funding of elections. In countries such as the USA and Japan, this is now becoming a key matter with regards to political corruption.

Due to the high costs of elections and the political process in general, parties often have to look elsewhere for financial resources. They have few funds available and therefore attempt to find other means to keep their political status and to appear the most efficient in the eyes of the public.

Another important factor which may lead to political corruption is 'longevity in power'. This term refers to how governments can stay in power without being challenged by other rivals. In authoritarian States, the absence of a formal autonomous structure means that bureaucrats or public officials can take advantage and use power in corrupt ways. On the contrary, in democratic countries public accountability is guaranteed by the institutions of the 'State of law'. If governments believe that their position of power is infallible, many begin to confuse the difference between State and government and as a result begin to think they are exempt from the laws that apply to everyone else.

Among the causes of greater or lesser spread of corruption is certainly the control system and the extent of the punishment related to corrupt acts. In deciding whether to engage in a corrupt transaction, an individual (be they public officials or firms) by comparing the expected benefits with the expected cost, decides to be corrupt only if the total benefit is at least equal to the total cost. The reforms designed to increase the risk of discovery and the extent of the punishment may reduce the demand for and supply of bribes. With regard to the likelihood of being discovered, it is often endogenous compared to the level of corruption, in that the more widespread the corruption, the lower the risk of being denounced.

### **Consequences of political corruption**

While most analysts concur that political corruption is morally condemnable, its economic and political consequences are less discussed. This is perhaps due to the fact that political corruption - complex as a concept - is difficult to both define and measure.

Corruption, in the past, has even been considered as having a positive role in some developing countries. This was the opinion of analysts who were working within the scheme of the 'modernization theory' in the 1960s. More precisely, the debate on the economic effects of corruption started with the two pioneering works of Leff (1964) and Huntington (1968), who said that corruption would stimulate economic growth mainly through the operation of two mechanisms:

- corruption if 'speedy money', can ensure that individuals are able to circumvent red tape;
- if the bureaucrats are paid directly for their work through bribery, this should make the bureaucrats work better and faster.

Therefore corruption is seen as something constructive in promoting economic growth and investment as well as helping social development in countries with weak bureaucracy, making up for the lack of adequate formal practices. However, these statements have been widely opposed by recent literature that says that corruption can have positive effects only in limited areas: they refer to the benefits arising from the assumption that State intervention creates inefficiency and corruption, shrinking them or eliminating them for the best economic growth of the system. Therefore, only in cases where the political system is inefficient, may political corruption be an improvement (see della Porta and Vannucci, 1997).

With the spread of corruption, government costs will increase, public services will no longer be guaranteed as resources will begin to dwindle, revenues may be exposed, and it will no longer be possible to make effective decisions. Corruption can also have a negative influence on the purchase or even production of goods for the public. The whole process of purchasing, tendering, giving contracts, the realization of work and payment at the end may all be affected.

A key moment in the political process of a democracy is when one needs to respond to public demand. The administration network is faced with the demands and requirements of different social groups. The function of political mediation according to Pizzorno (1992), is *"to identify and interpret the needs and desires of the population; select and generalize those which can be expressed in political terms; propose, justify and criticize policies and measures to achieve these ends or, when necessary, to explain why they cannot be satisfied"*. It is the means through which interests are collected and expressed.

The efficiency of this service is then jeopardized by corruption as the demand becomes 'internal' not 'public'. Public demand is no longer protected as the formal restrictions of the institutions are weakened by corrupters, who are able to make decisions and take the profits from corrupt practices creating the disintegration of public demand to satisfy specific needs.

Public spending is often inextricably linked with corruption and clientelism. Public officials aim to draw as many resources as possible into their domains of power so they can receive payment for mediation as a bribe. In this way, these administrators also try to win public support as a consequence of the influence of public investment on employment. For this reason, public spending is moved into the areas where there are the most benefits from corruption and where there are fewer risks due to the discretionary characteristics of the practices. Citizen needs are not taken into account when these operations and services are carried out and many works remain incomplete or discarded altogether. In addition, in the case where politicians are not content with the sum given through bribes, public demand often remains unfulfilled. It is worth noting, however, that during purchasing transactions, there are competitive rules which means that those participating have equal treatment once the cost of public spending has been decided.

In fact, in a widespread corrupt society, it can therefore be expected that those who formulate public demand will award the provision of public goods or a 'cartel' of all the companies participating in tendering. The bids are then able to be correlated and the income obtained then redistributed. Politicians or bureaucrats who have been involved in corruption in the past will then make sure that these individual companies or group of companies will definitely (or most likely) win a tender.

As a consequence, public demand will then be administered in such a way that these 'protected' companies will have an advantage in promoting their own products and will be able to benefit in the future from their 'special' connections with politicians. Costs become inflated as public tenders are allocated to companies who lack the required competences, equipment and qualifications.

Another element which politicians use to manipulate public demand is when they have real (or false) 'urgent' interests. Usually the amount of public spending and its administration will be relatively high so corrupt politicians need to create a contrived emergency.

Lack of planning expertise of public administration and convoluted bureaucracy slows down the time taken to complete public operations, which in turn paves the way for corruption as discretionary proceedings in the contracting process become legitimate.

Corruption therefore creates a redistributive process from which politicians benefit: *"A corrupt system of government services has the distributional disadvantage of benefiting unscrupulous people at the expense of law-abiding citizens who would be willing to purchase the services legally"* (Rose-Ackerman, 1978). Corruption attributes property rights to agents who then breach the rights of public interest and consequently further the tax burden which has a detrimental impact on the life of citizens.

**Cross-reference:** Corruption, Administrative corruption



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