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RE-THINKING THE PERVASIVENESS OF CORRUPTION IN WESTERN COUNTRIES

Introduction

- This paper studies the pervasiveness of Corruption in Western societies.
- Corruption has often been presented as higher in developing or (former) transitional economies than in the North-West part of the world (Western Europe, North America).
- Internationally used ranking of countries classified by the level of Corruption (i.e. Transparency International, World Bank) show that most of Western countries are on the safest side.
- Nonetheless, there are studies (Johnston, 2005; Shaxson, 2011) highlighting that Corruption is very diffused also in these area of the world.
- This paper investigates on the mechanisms of Corruption in the West, rather than measuring it numerically, through case-studies.
- Case studies are a method which is useful to research on particular mechanisms and to shed light on relatively under-researched phenomena (Bryman, 2016).

Theoretical background

- Corruption is defined by Transparency International as Abuse of Entrusted Power for personal gain.
- It may be that the abuser imposes an obligation on the other party in order to avoid inflicting an unfair sanction or in order to provide a service due in any case (win-lose situation within a game-theory context).
- On the other side, it is even possible that both the abuser as well as the other player(s) are both on the benefiting side (win-win situation).
- Corruption of a win-win type is hard to curb, as all parties directly involved have an incentive in continuing with their game and keeping the illicit side of their interaction hidden.
- Administrative Corruption refers to cases when the agents are common citizens (or companies) interacting with public officials in their daily activities (i.e. policepersons, clerical employees of local authorities, teachers).

Theoretical background

- State Capture encompasses illegal transactions occurring between top decision-makers and private agents (affluent individuals and companies) able to purchase their votes. Negotiations and agreements are far from being visible. Capturers may compete to obtain the services of the various decision-makers, or may cooperate creating an oligopolistic situation of demand of services, thus resembling the behavior of market players.
- In general, State Capture takes more sophisticated forms in comparison with Administrative Corruption. Negotiations occur at high levels, in prestigious circles and are eventually supported by well elaborated requests.
- The party attempting to capture the decision-maker(s) may actually come with refined studies and technical arguments in favour of his request. The compensation for the availability of the decision-makers to please the interest of the capturing party may manifest itself after the former leaves the office and consist in prestigious working opportunities.

Theoretical background

- Disentangling an illicit reward of a captured public agent from a legitimate accepting of a regular position (or accepting an appointment after, or well after, a political mandate has terminated) is extremely difficult. One may easily remind of the cases of the former German Chancellor Schroeder and of the former President of the EU Commission Barroso.
- A further characteristic of State Capture is the particular form of payment which occur when transactions are accompanied by an actual transfer of money. A web of anonymous bank accounts, companies whose ownership is not disclosed are all effective vehicles for transferring huge sums of money without fearing incrimination.
- As said by Johnston (2005), part of the influencing process of private agents on top decision makers has been legalized.
- State Capture is a win-win game.

Corruption in affluent Western Societies

- Western Countries are defined here as North-American countries and those European Countries which have not been associated with the Socialist block during the Cold War.
- Western societies present , in general and on historical average, higher levels of Transparency or, equivalently, lower standards of Corruption than developing and former transitional economies do.
- Nonetheless, Shaxson (2011) describes at length the mechanisms of State Capture in some of those countries (i.e. Switzerland, Luxembourg, USA, UK) which top the ranks of Transparency or are in any case at the highest level.
- It is possible that respondents manifesting their perceptions regarding the level of Corruption in a country tend to downplay the strength of State Capture.
- Johnston (2005) proposes to study Corruption more in terms of patterns and mechanisms (qualitatively) than in quantitative terms. This perspective represents a complementary approach to understand and appraise the phenomenon. Quantitative and qualitative approaches are considered to be complementary by the literature on research methods.

Methodology

- Following the approach of Johnson, this paper considers that each type of Corruption has its own patterns, characteristics and models and the existence of various typologies does not imply that Corruption is quantitatively higher or lower in any of the classified groups.
- This paper makes use of case-studies, used to reconstruct stories, identify mechanisms and patterns of interaction, decisions, application of standards.
- Case studies are used as a basis for clarifying relationships emerged following a quantitative –based study or , alternatively, can be used within a strategy of exploratory research perspectives.
- Information about the case studies presented below is obtained reading media reports. The source is not an academic one, however the information reported is considered fairly accurate especially because it contains facts to a certain extent admitted by the very persons involved.

The case Fillon

- The magazine 'Canard Enchaîné', earlier in 2017, has revealed that the wife and the children of the candidate have been employed directly by him as assistants of a Member of the Parliament and by another magazine close to Fillon, receiving exorbitant salaries (partly paid through the use of state resources) and, allegedly, not even performing a genuine working activity in reality. The magazine insists that the director of the magazine employing Mrs. Fillon has received a Honour directly from the French President following endorsement from Mr Fillon ■



The case Fillon

- A formal investigation has been opened, the hypothesis is embezzlement of public funds and abuse of power. Still, we can draw some not disputed facts from the case:
- 1) A high profile political representative has employed his family members paying them through state resources
- 2) A private employer of Mrs. Fillon, who has paid her significant monetary sums for an admittedly symbolic workload, has received a honour after the endorsement of Mr. Fillon
- 3) Mrs. Fillon has for a long time denied having ever worked with/for her husband
- 4) Such practices seem to be diffused in France
- 5) Years ago, Mr. Fillon had blocked a legislative proposal aiming at increasing transparency

The case in Flint

- A further case has happened in Flint, a town located in Michigan, US. Here the Governor Rick Snyder has implemented policies which appear controversial to various observers.
- First of all he appointed an Emergency Manager accountable to himself alone, *de facto* bypassing elected assemblies in the name of the urgent need to stabilize the precarious financial and social environment he had inherited.
- Secondly, he has offered significant tax breaks to wealthy individuals and companies, and he has also cut benefits for the poorest segment of the population.
- Thirdly, he decided that the city of Flint would stop sourcing water from the lake Huron and would indeed source the water from the local river. The choice was motivated on the basis of cost-savings. Indeed, the savings seem to be minimal, whereas the quality of the water from the local river is, apparently, absolutely questionable. The consumption of water from the river has caused diseases.

The case in Flint

- Snyder does not deny the evidence, however he maintains not having been informed of the poor quality and unhealthiness of the water from the local river. His statement appears hardly believable, considering that the situation was a major topic in media reports as well as among the general public.
- Snyder himself had allowed General Motors, who operates a plant in the area, to source its water from the lake Huron, following a complaint from the company according to which the water from the local river was corrosive. Incidentally, Snyder makes use of two funds to accept corporate donations to his campaign. General Motors is among the donors and this elicits legitimate and serious suspicion regarding the existence of a strong influence likely to border State Capture.

A discussion of the case-studies

- The cases presented above contain some similarities and, even adopting a favourable attitude towards the decision makers involved, there are conflicts of interest at the very least.
- Fillon has been entrusted with the power to select his own collaborators in order to choose those that would better serve him directly and, indirectly, the general interest he is supposed to defend. Furthermore, public honours should be conferred (or proposed) when a person has served the State, the community, excelled in a particular area or given a positive example to follow, eventually performing an extraordinary action or a series of actions.
- Fillon, as Member of Parliament and Head of Government, has been entrusted with the power to select those assistants who are particularly suitable to help him in serving the public interest (because of their competence). Moreover, he has been entrusted with the authority to propose a person to be awarded a honour when he genuinely feels this person meets the corresponding requirements.

A discussion of the case-studies

- Appointments of close family members and honour' proposal of close acquaintances who have also employed and generously remunerated the spouse of the very proposing agent are questionable from the point of view of transparency and leaves legitimate and strong suspicions (close to the "beyond any reasonable doubt" criterion) that the political agent has not respected those criteria he was expected to follow when acting.
- Indeed, there is a strong suspicion, logically bordering presupposition, that Fillon has exercised his power in order to reach goals different from those for which achievement he had been entrusted with the corresponding power (i.e. satisfaction of his family members , "compensating" the "employer" of his wife).

A discussion of the case-studies

- As for the case of Flint, the governor was manifestly in a position of conflict of interest when he has allowed a multi-national company, who has/is presumably financed/ing his activity, to obtain its water (filtered and distributed through state resources) from a source unavailable to the general public.
- The abuse of power is highly likely, without even mentioning issues related to Corporate Social Responsibility from the side of the company. It could also be added that the official rationale for changing the source of water was the need to save costs in view of the precarious balance of the local financial resources. Indeed, this balance has worsened also because of those tax-cuts (benefiting the wealthiest tax payers and companies) which has been introduced by Snyder.

A discussion of the case-studies

- As for the specific features emerged from the case studied, there are some remarks to formulate.
- 1) First of all, there is plenty of anecdotal evidence suggesting that these types of manipulations or (alleged) abuse of power are not uncommon in the countries where they have occurred.
- 2) Moreover, the behavior of the persons involved in the affaire Fillon is indicative of blatant nepotism and cronyism.
- 3) It appears that both Fillon and Snyder may have been acting within the borders of law. Investigations are going on, nonetheless the illegitimacy of their behaviours is far from being taken for granted. It seems that top political agents are abusing those rules conferring a wide margin of discretion to them to please their personal interests and those of their close acquaintances or sponsors. Namely, those wide margins of discretion has been conferred for a different purpose, namely the best representation of the interest of residents. Top political agents seem to act following mechanisms that are normally associated with medieval habits and practices in developing countries.

A discussion of the case studies

- The whole picture creates concerns because of the difficulty to reconstruct cases like those described and prosecute the actors. State Capture and nepotism may be diffused among the whole spectrum of political parties, hence creating an oligopolistic market with a tacit agreement not to report.
- Information may spread occasionally and eventually due to a plan devised by the very opponent of the person whose immoral behaviours are made public. This may lead to an arbitrary enforcement of law, similar to the one observed in the Soviet and post-Soviet countries (as studied by Fiege, 1998).

Conclusion

- Our paper has studied certain mechanisms of Corruption in affluent Western countries. It has resulted that political decision-makers behave in ways which are deeply incompatible with the mission they are supposed to represent, abusing their power.
- The picture emerging is even bleaker than represented in the typology developed by Johnston (2005), where Corruption in Western societies is depicted as a sophisticated form of State Capture. Indeed, practices are quite worrisome, definitely challenging the representation of Western societies as able to control Corruption.
- Further studies may pursue the investigation further. The use of qualitative as well as quantitative research methods (not necessarily in the same study) would be recommended, in order to obtain a complementary and comprehensive overview of the phenomenon.