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Culture of Corruption

Some methodological considerations

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Introduction

Hobbes' *Leviathan* claims that when man lives in a state of nature a 'war of all against all' prevails. Sovereign authority of a strong centralized government is essential. From this follow two phenomena. First, the existence of a strong centralized government also signals the birth of some form of administrative apparatus to carry out the state's day-to-day affairs. These include control of the populace, protecting citizens from each other, regulating their economic transactions, aiding them in time of disaster, defending them from external and internal threats, and of course taxing them. The modern idea of state administration has not only become the more or less standardized manner of conducting public business, independent of considerations of time, manner, and place, but also provides an instrument of measuring performance. Second, once an organization of any kind is established with control over the population and its access to resources and information, there is always leeway for this to be done in a manner that is neither just, equitable, efficient, nor compatible with the original aims of the organization. Most often this type of bureaucratic (or political) practice is considered to be corruption.

However, defining corruption is as evasive as that of defining pornography or, to add a modern dimension, terrorism. Clearly the respective feelings of repugnance, titillation, or fear thus produced are the results of concrete actions stemming from amassing of material or non-materials gains by unsavory means; sexual stimulation by act, representation, or description; and physical violence or the threat thereof. These are assumed to be negative; but they could just as easily be positive as, for example, in the distribution of goods and services, reproducing the species, or defending oneself, one's family, or one's country. The goodness or badness of the act sometimes depends only on the eye of the beholder.

Without a reasonably precise definition it is difficult to draw the line between, flexible bureaucratic practice and corruption of which there are countless examples. The issue becomes even more problematic when society attempts to prevent, limit, or eradicate 'it'. Imprecise borders which separate laudable-to-questionable, but allowable, behavior from those calling forth condemnation, legal measures, and even punitive action become particularly trying. If 'it' cannot be defined reasonably, then the danger exists that generally accepted laws and regulations shunted aside in favor of temporary moods of those most vocal.

The following discussion, only to a limited extent, attempts to unravel the Gordian knot posed by the meaning of corruption. Rather, it aims at pruning the overly luxuriant definitional plant to a more manageable size, hoping thereby to give it direction for growth. To do so a comparative approach is utilized, drawing upon contemporary experiences of India and Indonesia. Similarities in spelling not withstanding (hence they must be comparable!), there are in fact good reasons for the comparison. Not the least of these are the authors' respective fields of expertise. More to the point are functional and practical issues. While Indonesia is less transparent (i.e. more 'corrupt') – 126th compared with 85th on a scale of 180 according to the Transparency Perception Index (TPI) – India is considerably more open in discussing the issue. This provides a window of opportunity for empirical research into not only the prevalence of corruption, a 'culture of corruption' (*budaya korupsi* in Indonesia and *brashtachar* in India)[1],

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[1]Despite widespread use in the media – for example the Alzazeera.net program 101 East under the title 'Indonesian Culture of Corruption' aired 29 January 2009 – the phrase is not entirely problem free. A direct contrast is found in TheJakartaPost.com (10 December 2007). In the run up to the International Corruption Day (December 9), leaders from a number of national organizations publicly marked their opposition to corruption by stating it could be stemmed. At the same time they denied that it is part of Indonesian traditional culture. Chairwoman Marwah Daud Ibrahim (ICMI) claimed that there were no roots for corruption in the country's culture citing the example of punishing even a prince for such acts in the ancient kingdom of Kediri. State minister for Administrative Reforms Taufik Effendi said corruption is not part of the country's identity, which is supposed to be religious and able to differ between *halal* and *haram* (permitted and prohibited), good and bad, and right and wrong.

On the other hand, Hinduism has always had a more accommodative attitude towards human frailty (i.e. a culture of corruption), which is coupled with a rather relaxed concept of sin. Hinduism takes favourable view of wealth (*artha*) and, in fact, it is treated as an object of veneration. In the *Arthashastra,* Kautilya emphasizes that '…wealth and wealth alone, is important, in as much as *dharma* and *kama* depend upon but more importantly how such is perceived and dealt with by the primary actors themselves, i.e. holders of positions within the respective lands' public administration. The obvious contrasts between their respective colonial past, including the relatively centrality of governance over time, only enhances the usefulness of a comparative approach. This is despite the fact that the authors not infrequently find themselves in the undignified position of the down hill ski pointing in one direction and the uphill ski in the opposite one.

By seeing corruption, however defined, as part of the bureaucratic system we hope to avoid the false juxtaposition of corruption – good governance. Eradicating the former by no means guarantees the latter. Institutionally corruption can be analyzed through the application of what we term a market or *bazaar model* of interpersonal behavior – empathizing primarily economic motives – and to the extent possible an inductive, inside-outside approach. An intensifying factor comes from alterations in the political structure both between the colonial period and that of independence, as well as shifts during the latter. As the condition cannot be seen entirely as either a colonial legacy or purely self-created in the interim, consideration of the impact of both on bureaucratic probity become a necessary part of any essay tracing the development of the kleptomaniac state.

Definition

One consequence of corruption's lack of a robust definition is a tendency toward a tautology: we are all corrupt. Greatly simplified, we are talking about the very human characteristic of benefiting from resources belonging to a larger collective, of which we are at best only part owners. The conclusion must be that almost all productive activity

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artha for their realization' (Kautilya's *Arthashatra* in Shamasastry, 1961). Status, power and wealth are three manifest symbols of authority. Whosoever possesses one of these, strives to acquire the other two, even if it meant flouting all norms and constraints in the process. Since ancient times there has always existed a feudal culture of privileges, which permitted graft to become an established custom.

If one understands public administration as being based upon the Weberian standard, then individual behavior seen as falling under corruption, collusion, and nepotism – Indonesian's infamous KKN, (*korupsi, kolusi, dan nepotsime*) – deviate from the norm and hence should be punished. In a 'culture of corruption' the norms are dictated by the system, hence any behavior not conforming to them becomes deviant and is consequently open for social pressure to conform. Far from an academic distinction, whether corruption is seen as an individual or institutional failure determines the method used to combat it, i.e. more laws and enforcement alternatively reconstruction the whole system in some sort of 'Big Bang'.

involves some ‘skimming off the top’ or dipping into collective resources for individual benefit. Punishable acts thus become devilish hard to separate from non-punishable ones; it is almost always a question of degree rather than kind. How many thin cooks are there? Who at the office strictly limits conversations to the organization’s goals? How many homes do not have pens, erasers, paper, and so on ‘borrowed’ from the office. Even the amount of material or non-material resources involved is no guide. Large quantities of time paid for by organizations is ‘stolen’ by employees for private ends in, for example, non-work related surfing on the Internet, personal e-mails and telephone conversations, and even leaving the work place early to pick up children from day care centers. Such activities are undoubtedly necessary for the well being of individuals and their families, which is why they are allowed to continue, often with tacit approval of employers. This is despite the fact that in the context of the organization’s efficiency they constitute substantial economic losses not recorded in the economic accounts. On the other hand, however, even very small quantities of favors, gifts or other advantages coming from competitors, the mass media, known criminal elements, or extremists are not tolerated; not in any amount however small.

For want of more precision, students of corruption tend to dodge the issue. Preference is given to short, quotable, if exceedingly broad, definitions as ‘...the abuse or complicity in the abuse of private or public power, office or resources for personal gain (ACT/1/2007/wps)’. Although true and universally acceptable, such do not provide grounds for further research. As it would appear that corruption *per se* is too diffuse to be defined with sufficient precision to render it an autonomous field of scholarly inquiry, we must change tactics. Taking a page from a work of nearly four decades old, it is useful to draw a distinction between criminality and various degrees of malfeasance in public office. Syed Hussein Alatas in a seminal essay, *The Sociology of Corruption* from 1968, convincingly demonstrated the importance of differentiating between corruption and criminal behavior on the one hand and between corruption and mal-administration or mismanagement on the other. All are detrimental to public interest. The good news is that we are not corrupt, merely criminals or incompetents!

As a result, several fairly common aspects unproductively seen as ‘corruption’ can be eliminated. The most obvious is stealing from the public weal or to give it a formal name, embezzlement. These are among the commonest acts. Moreover, they are from a purely legal point of view conceptually uncomplicated; showing that they have or have not occurred, is relatively straightforward, although the mechanics of proof can be tedious. Moreover, due to the fact that they fall under the province of existing laws and regulations, it seems unnecessary to bring them into a discussion of corruption. This is especially so because it is far easier, and thus judicially more efficient, to establish acts of theft or embezzlement than corruption.

A second aspect, namely malfeasance, can likewise be eliminated. Corruption is characterized by intent, multiple actors, secrecy, mutual obligations and benefits, deception, contrary dual function, and violations of norms of duty and responsibility within civil order (1968:13-14). These distinguish it from malfeasance, maladministration and mismanagement. This is, however, still not necessarily tantamount to corruption. Moreover, malfeasance falls under the provisions of specific laws and ordinances the breach of which carry or should carry legal sanctions and thus can be differentiated from corruption.

A third aspect is behavior that can be seen as purely criminal. There is quite a difference between corruption and criminal behavior both in the way that they occur and the impact they have. From the outset it is crucial to recognize that corruption is part and parcel of the administrative system. Corruption in any form is never an anomalous exception. It is built into the system just as the other forms of leeway, adaptability, or forms of pragmatic procedure (in contrast to inflexible adherence to rules, regulations, or dogma) so necessary for an organization to survive in a constantly changing environment.

In theory bureaucratic reform/effectiveness, or the lack thereof, is separable from criminal acts, malfeasance and mismanagement. Criminal acts fall under the provisions of specific laws and ordinances the breach of which carry or should carry legal sanctions; the latter two are more questions of internal administrative effectiveness. Yet in practice they tend to form a continuum. Consciously allowing or even condoning mismanagement of affairs over a long period is equivalent to ‘complicity in the abuse of private or public power.’ Maladministration when it endangers the public, as for example fire departments, police, enforcing safety requirements for roads, railways, and airlines, etc, after a certain point is considered to be criminal behavior. It can be argued that this type of criminal behavior can also be considered as constituting corrupt behavior. However, our intention is to look at corruption from a systemic (institutionalized) point of view, instead of the actions of individuals.

Corruption studies

Even though Alatas' definition takes us in the right direction, there is another aspect to be considered in relation to scientific definitions. Somewhat simplified, corruption studies tend to fall under 'Area Studies', judicial sciences, or public administration, the latter placed vaguely somewhere between Political Science, Economics, and even Peace Research. In Area Studies corruption is understood as being characteristic of a particular state or region. It may play or may be thought to play an important role in, say, Nigeria, Indonesia, and India or a minor one in, say, the Nordic countries, USA, or Singapore. The approach rightly emphasizes that the forms and norms of corruption are indelibly connected to the specific place and time. These may or may not show similarities in origin or practice. They most certainly will show considerable differences in what constitutes corruption. What the approach gains in taking into account local culture and ways of doing things, it loses in temporal and geographical comparability.

Corruption as part of judicial studies overcomes the problem of loose definitions. Judicial proceedings are predicated on the existence of specific and enforceable rules and regulations, the breech of which is sufficiently provable to bring a case before an institution empowered to 'try' a individual or organization thought to have transgressed them. However, in order to bring a trial to successful conclusion fairly stringent proof is crucial, often requiring sufficient evidence of intention. By any standards this a daunting task. It is also one limiting the definition of corrupt actions to those that are immediately legally provable. Not without importance, the approach makes the fundamental assumption that the judiciary is comprised of reliable and reasonably honest individuals. In far too many countries the reverse holds true.

Our preference is to see corruption as part and parcel of the administrative system. The approach overcomes the parochial character of Area Studies. Administration has become a more or less standardized, international manner of conducting public business, one independent of considerations of time, manner, and place. In addition, it provides an instrument for measuring performance. Whether 'insider trading' is culturally determined, criminally actionable, or merely troublesome depends very much upon local circumstances. In contrast, that a public utility does or does not provide the services it is supposed to can hardly be a point of uncertainty. It either does or does not, or at least in the eyes of its users who ultimately pay for them. Within administrative science whether this is due to malfeasance, criminality, or corruption is more or less irrelevant. As there are built in demands of functional effectiveness (otherwise why pay for them?) lack of such can lead to termination of employment, thus raising the threshold of risk to the actors. In addition, criteria for determining malfeasance or criminality are less stringent with regard to intent. Damaging the organization's reputation or disregarding its goals and purposes constitute grounds for termination of employment, if not legal liability, even in countries with high degrees of job security as those of Northern Europe. Worthy of note is that with the spread of privatization within public services resulting from the advances of New Public Management practices, the pressure for results over status or status quo is consequently harder. It can reasonably be expected to increase.

Public Administration approach

Opting for an approach from public administration studies does not resolve all methodological problems. A stumbling block to formulating a generally applicable science of corruption, even in this sphere, is whether to see the phenomenon from an exiguous or indigenous standpoint, from the outside or inside. To a great extent it has become a point of faith that the Weberian bureaucratic ideal provides the ultimate standard. Consequently the obvious differences in actual practice throughout the world, even in Europe, are seen as 'deviations' from the norm. The fact of the matter is that Weberian norms in practice are not only scarce as hen's teeth but also ethno- and temporal- centric in the extreme. They are more often noticeable by their absence than their presence. Actual practice, as opposed to lip service, is limited to a small part of Northern Europe and the former English colonies in North America and the antipodes in quite recent times. During the last quarter of the nineteenth century it would be hard to find more corrupt societies than the United States of America and the Kingdom of Sweden, both now considered paragons of 'transparency'. Undoubtedly the same would hold true for the remainder of those now high on the Transparency International's Transparency Perception Index. In the case of the two just named countries the subject has been explored by some of their greatest literary writers, namely Mark Twain and August Strindberg. The crux of the problem is that corruption studies in general employ deductive reasoning based upon exogamous criteria originating from a small number of short-lived cases, i.e. the Weberian bureaucratic model. That most of the world pays at least lip service to living up to the model – if nothing else to ensure continuation of Foreign Aid, IMF funds, World Bank loans, Direct Foreign Investments, etc – does little to mitigate the fact that it seems almost a parody of serious scholarship.

As a result, we propose to follow an inductive, local-centric approach. Thus, the question becomes not whether or to what extent local society deviate from Weberian standards, but what ‘corruption’ means to those manning the bureaucracy in India or Indonesia. Does corruption in the Weberian sense actually exist? If not, what concepts cover a type of bureaucratic practice usually considered dysfunctional? Are *moolah*, *mamul*, *baksheesh*, *ghus*, *dakshina*, *baktash*, and *ruruba* – local terms denoting bribes, both in cash and in kind – seen as corruption or as part of the time-honored perks of the job? And so on. Once we leave the beaten path of assumed conformity to Weberian bureaucratic behavior, questions as to the goodness or badness, or even the existence of, corruption, become innumerable.

Bazaar Concept

As we have said, a useful approach to the problem in the spirit of the above is the use of a market model of corruption. This is suggested by our prior research experiences supplemented by anecdotal material. In a sense, it also anticipates the results of planned field research focusing on the attitudes and actions of governmental bureaucrats in India and Indonesia. By a model we mean simply a construct simulating reality, but in manageable terms. In this context one of the most common institutions for exchange of goods and services in the two countries is the *bazaa*r, the traditional market. Hence, the model seems particularly appropriate for the study of corruption. As the major motivation in economic terms, a bazaar is an instrument for bringing together buyer and seller of commodities, here, inside information, influence in strategic discussions of governmental procurement agencies, arranging ‘favorable’ outcomes, etc. It is not only a common feature of dysfunctional bureaucratic behavior but also a highly pragmatic one in that it generates wealth for its practitioners, be it small increments to low salaries (corruption by need) or staggering sums accumulated apparently for the sake of the exercise (corruption by greed). Such a concept entails a number of features, which differentiate it from focusing on the negative, i.e. reverse, features stemming from the traditional Weberian model.

Yet the very nature of these commodities or transactions – prospective buyers cannot go to another seller for the same or comparable commodities as they could for eggs, oranges, horses, etc – means that the businesslike aspects of consumption take on features requiring additions to a simple bazaar model. Moreover, a bazaar is not limited to economic transactions. By its nature it attracts a number of other relations of a more personal, even familial, character, which also must be included in any study of corruption. Finally, a *corruption bazaar* exists not only in a nexus of personal relationships but also in political ones. Thus a final part of our approach is to consider the exogenous political powers impact on dysfunctional practices of public administration in terms of demanding funds and at the same time showing the way for corruption on a mega scale. Of course the reigning political systems are more or less products of the past, including the colonial past.

Characteristics

A basic feature of the bazaar concept is that actions are reciprocal: 'you gets what you pays for', a transaction is always between two actors. As such, price and risk calculation are inherent parts of the institution. If we accept the thesis of *homo economicus* the rational agents who strive to accumulate wealth, and in game theory terms, optimizing payoffs, maximize their outcomes while minimizing costs, then malfeasance in office is immediately a good tactic. Reciprocity means that an act – buying or selling as described above – is always either planned or agreed upon in advance. That is, in corruption there must be a goal-directed action and some form of rational calculation. A clearly defined criminal act is almost always a one-sided action involving no reciprocity. Only if the owner of the object(s) in question acts in such a manner as to facilitate the theft do there arise 'mutual obligations and benefits' or conspiracy, i.e, corruption. Because it takes two to tango, the person in collusion with the thief expects some reward, again material or immaterial, in exchange for cooperation. All of these stand in contrast to instances of mismanagement and maladministration. Although both thrive in a climate of secrecy, camouflage, and deception, mismanagement or maladministration tend to be one off affairs, whereas much of the concern with public administration is ensuring that such practice does not become repetitive, leading to systemic corruptive patterns. Thus in our approach to its definition, repetitiveness can be added as another common characteristic of corruption.

Even more basic in the bazaar model is question of price. In the traditional market, there is no fixed price. Both the seller and the buyer know this and each tries to gain the advantage in relation to the other, maximizing their gains without regard to any other variable (we thus see pure market at work comprising pure maximizers). There are, however, limitations in the *corruption bazaar*. Status and personal relationships play an important role in that one pays what one can afford, with rich or foreigners paying more and the poor less; personal interrelations in which renown, family relations, and influence play key roles. Of course, in the nature of things varying prices include possibilities, even expectations, of bargaining and negotiation.

At the culmination of the bazaar model is risk calculation. In the bazaar this is primarily in relation to the price. Are the goods worth the price in terms of consumption or resale in relation to comparable choices? Risk of getting stuck with 'hot' goods is relatively small, although buying stolen goods, is usually severely punished. With what we have termed corruption, risk calculation tends to concentrate on the possibilities of being discovered on the one hand, and, on the other hand of having wasted one's money in that the services paid for do not materialize or are not commensurate with the costs. What makes corruption so tempting is that even if caught the punishment for indulging in bribes, kick backs, etc in a pervasive culture of corruption are negligible while returns are high; the yields of non-corruption low.

The concept of the *corruption bazaar* is also defined as a cultural and political institution, as well as an economic one. It operates with its own mores and rules and traditions.[2] Moreover, any activity or action in the bazaar, however social, cultural or political in its manifestation, inevitably has an economic rational. In conclusion, we should therefore not forget that corrupt behavior is almost always rational behavior based on optimizing payoffs (in game theoretical terms) and avoiding losses. The corrupt bureaucrat is thus not some misled agent, working contrary to the supposed Weberian ideals of the state. By acting as just an employee of the state, he is instead looking out for himself, a prime example of *homo economicus*. The 'corrupter' seeking to avail himself of the bureaucrat's corrupt agency is also rationally maximizing payoffs and avoiding (present or future) losses. The *corruption bazaar* is, in its multitudes of individual socio-economic tactics and strategies, *game theory* gone wild as every attempt is made to maximize and anything seems to go and often can be effective.

Modified bazaar concept

Be that as it may, a number of features of the *corruption bazaar* contrast sharply with a usual market model: hence the call for a modified version. Perhaps the most obvious is motivation for acts seen as falling

[2] Corruption is rarely expressed as naked power, but is 'gift-wrapped' in indigenous idioms of reciprocity and hospitality. It communicates through the idiom of live and let live. The Hindi expression, *mera bhi dhyan rakhiye*, (please do remember me) says it all.

under corruption. Here it is not so much motivation per se, the maximization of utilities, including status and power, but the manner in which it operates argues for a variant of the market model. The bazaar system has several mechanisms at hand such as sliding price system, fragmentation of transactions, linkage, and ‘clientele-ization’. The purpose of most of them is to reduce risk and uncertainty in a market where transactions are not transparent and where neither quantity, not quality, nor prices of the goods are easily determined. One of the major strategies is not to put all one’s eggs in one basket. One attempts to establish alternative avenues of access, either directly to the government and its administration, or indirectly to local power holders. Through linkages established by such means as debt/credit or client-patron relations to broker succor and loyalty, one attempts to overcome the lack of transparency operating in the ‘pure’ bazaar model. Specific mechanisms are aimed at reducing uncertainty, for both the person needing a favor and the person (official or politician) in a position to grant that favor for a suitable remuneration. There are many levels of corrupt transactions; so the purveyor of favors today is the mendicant tomorrow and vice versa. The major cost entailed in such a market is the cost of information concerning heterogeneous products and their supply, as well as the availability and cost of ‘credit’. More specific reasons for a departure from a standard market model revolve about 1) the unique nature of its commodities, 2) its dependence on a functioning public administration, and 3) the shared nature of the interlocking system. The points can be taken in turn.

The most obvious differentiating feature of the *corruption bazaar* is that it deals only in indirect commodities. Corruption tends to be either an added tax to complete a transaction, which itself entails far greater monetary exchanges or a fee for escaping an impost or at least greatly reducing it. The latter case is obviously the most common. Also by its very nature it involves only relatively small sums. Paying a policeman in lieu of being cited for a traffic violation, collaboration with an Income tax official to recognize a fraudulent (i.e. reduced) tax rate, and so on, provide usual examples. Even these are most likely shared. Bribes are usually split between perpetuator (buyer) and seller or between the two and the latter’s superior. An alternative form is that an agent pays a ‘union fee’ in exchange for a position within the public administration having opportunities for enrichment, what the Indonesians call a ‘wet’ position. The fee is paid in anticipation of the bribes and is commiserate with the expected income. Should the income surpass expectations, the ‘fee’ is adjusted accordingly.

This brings us to the high level corruption, where large sums are involved, the realm of greater profits and benefits. For example, in bidding for a tender on a public works project, i.e. roads, damns, infrastructure in general, one strengthens one's hand through an offering to the appropriate official. Similarly, a poor application can be spiffed up with compensation to the right official(s). The latter sees to it that the application is weighted favorably. Here corruption fades into cognizable criminal acts of fraud. Of a different magnitude in uncertainty reduction is 'speeding up' of numerous errands a citizen with public services. Getting a driver's license, a letter of reference, electricity installed or a telephone, etc or even being able to skip the long wait for a railway ticket by paying a tout to queue for one. While there is no one-to-one correlation of these activities, in terms of the *corruption bazaar* model, there is as noted above always a calculation in economic terms.[3] The bribe and tender must be worth it. Likewise the rewards of the job must be at least equal to the price of obtaining it. And finally, the time and effort saved must be worth the 'speed up' money.

A basic problem with the *corruption bazaar* model is the issue of competition. Corruption takes place within a skewed market situation. The seller is singular but the buyer potentially many. That is, the product's ultimate disposal is more or less determined by the official in charge, although within a culture of corruption the gains must be divided. The action may also require the input of several officials and other resources to 'persuade' the decision-maker as to the rightness of the buyer. Yet the product is unique in the sense that the buyer cannot threaten to go to another seller. However, the buyer does always have the recourse of playing according to the rules and depending on the Weberian system's functioning. On the other hand, there are several potential buyers for the product, although the list may have been seriously cut down beforehand on the basis of past dealings, proven discretion, or personal relations, there is always possible to find a buyer willing to pay a higher price. Even so, to a certain extent this inequality of position is overcome by the clandestine nature of the transaction. As the deal is basically illegal, the buyer has some leverage in threatening to 'go public' (or putting his trust in following the rulebook) should the seller prove to be too greedy. Too much publicity would queer the deal

[3] Giving 'speed money' for quicker movement of affairs is a recognized practice in both India and Indonesia. While in these instances corruption helps to speed up matters and to obtain favorable decisions, the practice also promotes a culture where nothing moves without payment of money. It has been argued that such corruption enhances efficiency of the system. Such arguments are not only 'fallacious but highly pernicious' because while 'bribe does benefit a few, it vitiates the whole system' (Gill 1998).

and might even force it to ‘go honest’, in which case both seller and buyer lose.

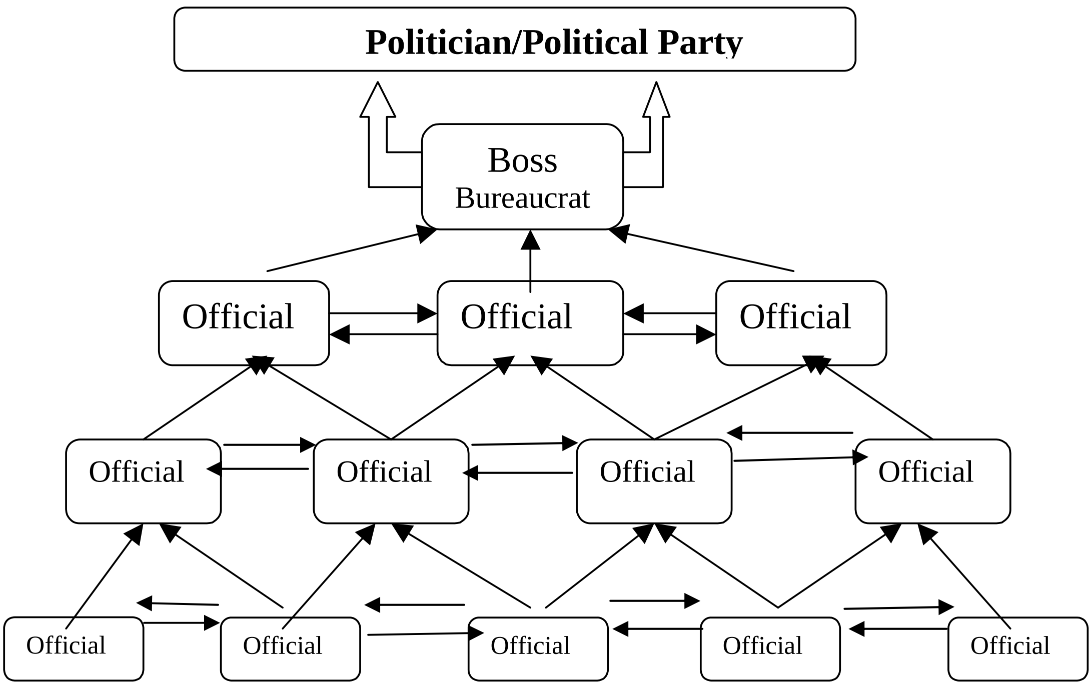
Moreover, a capitalist entrepreneur is locked into competition with others of the same type. Customers/clients can choose from a range of goods and services offered by competitive suppliers. On occasion of purchasing a house or an automobile, or contracting services as a carpenter, etc, the buyer has a range of alternatives from which can be picked the one best suiting his/her needs. Market alternatives exist. These in turn provide a hedge against dysfunctional practices. Efficient businesses should be allowed to prosper and with them a climate of functional administration. Inefficient businesses should be allowed to go under.

Such is not the case for the corruptive entrepreneur. Goods and services offered are as good as unique. Usually there are no other acceptable alternatives. The only choice is whether or not to follow the rulebook, which is slow and where the results not guaranteed. Examples range from payment to the police for a traffic violation, to a ‘sweetener’ for a lobbyist or governmental official in order to obtain a multi-million dollar contract for public works. In attempting to provide hitherto unprecedented services for its citizens the modern state with welfare pretensions simultaneously creates monopoly niches. These are open to either good service or to intermittent/conditional service. ‘Intermittent/ conditional’ is the key word for dysfunctional practices.

Dependence on good governance

What is seldom recognized in most studies of corruption and good governance is how much the corruptive entrepreneur is dependent upon a system of reasonably efficient distribution of public goods and services. In abstract terms the gain is obtained by shortcutting or speeding up access to them. Yet the purveyance of these goods and services by the government/administrative system must exist and function (and most often function efficiently) independent of the buyer and seller. The corruptor/seller profits from the temporary suspension of a more or less well functioning access to public goods and services. On condition of receiving a commission/bribe by the buyer, these services are subsequently allowed to proceed. Once that bribe or commission is paid, then everyone, client/customer, corruptor/capitalist entrepreneur, and end users of public services all have an interest in seeing that the system functions smoothly.

The last feature arguing for a modification of the market model is its shared nature. The *corruption bazaar* is an integrated and nearly all-encompassing system in and of itself. After a certain point has been reached it comes to dominate bureaucratic behavior, a ‘culture of corruption’. It is not just a matter of officials at various places in the bureaucratic hierarchy earning extra income via ‘commissions’, ‘administrative fees’, etc. Once established, the system becomes integrated in that any official benefiting from illicit income is expected, nay bound, to remit part (5-10%) of that sum to his superiors as the price of allowing him/her to run the concession or franchise. Hence the official who takes too little in bribes or, horror of horrors, is honest deprives higher officials of expected income justifiably claimed by right of position. In a reversal of the Weberian expectations, honesty is a liability rather than a standard. The situation is illustrated in the diagram.



Even in its simplified form, the diagram illustrates the integrated nature of the system. Returns on even small bribes quickly escalate into mega-units at the middle and higher levels of the system. At the not unrealistic 50% of payments upward, the sums become truly staggering. This gives the system longevity, continuity, and stability very much lacking in anti-corruption measures. Money flows up and status down. Each level of the system is dependent upon a percentage of intakes of the levels below and above. This cements the individual dyadic ties into a tight-knit system: all are locked into place because of dependence on other levels of officials. Should one of these refuse to accept (and give) his/her share of the bribes, everyone else in the system will suffer lack of expected income. Peer pressure is further increased by the fact that many have had to pay for the privilege of getting their place and reasonably expect to reap the gains in order to recoup their expenses.

Family, network, and patronage

At this point it must be conceded that there are a number of features characteristic of corruption that have only tangential contact with the bazaar model. Under the telling term nepotism, part of the Indonesian triumvirate of *KKN*, it tends to cover the special treatment given to bureaucrats' family members as well as fellow members of the clan, caste, and status groups. In the 'family, network, and patronage model' the point of departure is that corruption exists as a necessary *transaction cost* of all dealings with the state and its administration. The family/households' maximizing tactic is thereby to become incorporated within the state's administration.

Based as it is upon the idea of the 'economic person', the bazaar model does not cover this area of dysfunctional behavior, which in recent times has become seemingly limitless. The characteristics of, say, traditional Javanese society, that 'enough is really enough', is foreign to elite Indonesians sitting at the centers of power at Jakarta, Palembang, or Surabaya, no matter what their ethnic background. This would seem to be equally true of many newly developing countries of Asia. The most corrupt are those with the greatest amount of material welfare and largest incomes[4]. The capitalistic spirit of 'desire to acquire' has become a goal in itself, with illegal/immoral methods its instrument. It would seem that the *corruption bazaar* often has at least (in these higher economic echelons) as much to do with power, status, and most of all control, as with financial gain *per se*. A well-known phenomenon of the late and unlamented Soviet Union was to under-budget subordinates' departments or organizations. In order to meet the goals set by the state they were forced to make up the difference by extra budgetary means. The price of superiors' seeing through their fingers was absolute loyalty to the boss. The latter had built in instruments for unseating ambitious, unwary, or deviating subordinates. This was by no means foreign to the

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[4] For example, the Suharto family could not spend its ill-gotten gains if they all lived a thousand years. Even more striking is some of the staggering pension funds accrued by legal means, but ones in keeping with our definition of administrative malfeasance, which can hardly be consumed and by definition cannot be passed on.

Indonesian case under the New Order; in such cases keeping the boss happy becomes a matter of survival, as well as a potential source of wealth and power. Subordinates do everything to anticipate the boss's wishes before they are expressed.[5]

Why not more?

A frequently heard rationalization for corruption is that 'everyone else is doing it so why shouldn't I'? If everyone does it is there any reason for an agent to forgo the instruments, albeit corrupt ones, at his/her disposal when they offer faster and more expedient means to reach one's goals than non-corrupt behavior?[6] This in turn implies that corruption increases the actor's means of realizing goals. When non-corrupt behavior is less effective than corrupt, obviously the latter is a rational choice. The trigger to an act of corruption is often a perceived need or greed or business on the part of the agent. The family needs funds for a life crisis ceremony or finds itself in need of extra-ordinary expenses and outlays. Hence the agent utilizes the possibilities opened by corruption and by implication a corrupt society.

Yet, if corruption is endemic to *homo economicus* what hinders us from increasing the skimming until there is nothing left? If the prevalence of a 'culture of corruption' allows or even encourages individuals to participate in it, then would not absolute corruption in society tend to corrupt absolutely? Yet despite a few spectacular cases – Zimbabwe is in a class by itself – few countries are paralyzed by corruption. Even fewer are affected to the point of being dysfunctional. In other words, there would seem to be an upper limit to corruption. Constraints do exist; three of the most obvious candidates can be mentioned in passing.

The first of these is religious and/or moral considerations. Of the two, religion is the easiest to deal with, mainly because it seems to play just a small role. This is again on the macro level. A glance at any year's

[5] This seems a variant of *priyayi* responsibility 'to know the wishes of the sovereign before they are uttered' (*Surya Alam* law book of the 1700s). Parenthetically, it can be noted that some of the worst excesses of the regimes are due to subordinates' interpretation of the boss' wishes, of which he cannot be held legally responsibly.

[6] To quote Pavan Varma (2003), 'I have reluctantly come to the conclusion that Indians in general do not consider corruption to be categorically wrong. It is considered to be another instrumentality to achieve a desired goal, wrong if practiced by someone else and right if useful to oneself' (p. xxx).

In his delightful study, *Games Indian Play* (2006), Raghunathan states that generally Indians have become so fatalistic that they no longer even seem to feel a twinge of guilty conscience when they give or take bribes. He concludes, 'In the language of prisoner's dilemma, each one of us defects in such situations, and as a consequence our fatalism becomes a self-fulfilling prophecy' (p. 46).

listing of corruption as measured by Transparency International Corruption Perception reveals a negative correlation between specific religions and corruption. Russia (Greek Orthodox) shares the bottom category with The Philippines (Catholic) and Nigeria (Christian/ Islamic), as well as the Islamic societies of Iran, Somalia, and Indonesia. India (Hindu/Islamic and secular) is not too far away. Although the top of the TPI list, namely those nations perceived as least corrupt, is dominated by the Nordic lands (cold as a countermeasure to corruption?), it also includes Singapore (Confucian/Buddhist), and the United States (secular). The fact that the countries adhering to the revealed religions of Islam, Christianity, and Judaism – which share a basic concept of sin redeemable only by a God which cannot be influenced by human beings – are scattered throughout the list would tend to argue at the national level religion and corruption are not linked, at least not in any determinable causal manner.

Less easy is the question of social control and public morality. The countries of northwestern Europe clearly dominate the upper levels of Transparency International's Index. Does this have to do with a joint social public behavior in some manner connected with Christianity? Or is it more likely that the whole concept of 'corruption' as a negative feature of bureaucracy is a Western European invention, and one of the nineteenth century at that? In short, the question becomes of whether the ideal of Weberian bureaucracy is functional or behavioral, ingrained or exportable, and if so how so?

A possibly more feasible explanation of whatever limits exist to corruption is internal. Important in this context is the influence of the pecking order within an organization. Two variants can be recognized. The first is a spin-off of the Indonesian saying 'as long as the boss is happy' (*asal Bapak senang*), the golden rule for all subjected to a boss. A basic threat to the boss's position is subordinates becoming too rich and powerful. In other words, being too successful at gaining extra income and/or powers at a certain stage threatens the existing hierarchy. In such a case the boss for his own protection must take measures to ensure his inferiors do not pass him by. One of the reasons Ne Win, the former dictator of Burma/Myanmar, returned power to civil authorities in 1964 was that he caught his officers with their hand in the till. With access to independent finance came the inherent threat that this would allow them to grow too rich and powerful to control. At least temporarily the solution was for him to withdraw military control over the country forcing his subordinates back into soldiering on the salary provided by the army hierarchy, which he ultimately controlled. To a certain extent, Suharto applied the same in Indonesia. Through graft and military businesses he became a powerful figure in the Republic long before the events of 1965 gave him the opportunity to take over. Of course, he himself had to curtail corruption of his subordinates, or at least keep it within reasonable bounds after he had become head of state.[7] The other variant can be described as 'honor among thieves'. One simply sets all officials to watch all others. Too much success by one leads to the downfall of the others, who are then more than willing to blow the whistle on the successful.[8]

A third category would be consciousness of the impact of unbridled corruption. As corruption consumes scarce resources for un- or non-productive ends, too much could lead to downfall of the system. To a great extent the same holds for the fact that the corruption prevents necessary change in response to changing circumstances, a response vital to a nation's survival in the long run, as well as the over exploitation of the lower classes, i.e. those that can only pay bribes but have no possibility of recouping their losses or part of them by receiving bribes. Researchers cited by a World Bank Report (2003) point to such a strategy as leading to a system of franchises of corruption in which '…the common factor was a self-restraint in the interests of maintaining power and control' (p. 7). The spoils of office could be tolerated as long as they did not threaten the 'royal family' or the continued existence of the regime. Many argue that with the disappearance of Ibu Tin, Suharto was no long able to control the rampant pillaging of the state by his cronies and, more important, his family. The Suharto franchise system of corruption was, then, particularly vulnerable to the Asian Economic Crises of 1997-98 which brought about ultimate downfall of the regime. One of the explanations for increased corruption is the lack of such restraints during the last decade.

[7] According to a recent *Economist* (November 29th 2008:10-12), a similar phenomenon has prodded the Russian president and prime minister into taking steps to curb corruption, which in the long run threatens the standing order, i.e. their own power.

[8] Perhaps a good example is the Dutch East India Company. During the period 1604-1799 an ordered and balanced hierarchy of power and corruption prevailed. In the case of colonial India, the early part of the East India Company rule was marked by rapacious greed and large-scale corruption until the appointment of Lord Cornwallis as governor-general in 1786. He strove to reform the corrupt system he inherited and brought down the level of corruption. Nevertheless, 'A kind of lesser corruption, which consisted in finding loopholes in the regulations and making money by clandestine presents, irregular allowances and fictitious sales, and the like lingered on…'. (Smith, 1958)

Political impact

Corruption obviously cannot exist in a vacuum; the political climate plays an important role in the relative corruption of a given society. At least in the case of India and Indonesia the attainment of a functioning democracy, and for the latter decentralization, rather recently has meant greater corruption. Basically the argument turns around the observation that decentralization brings a decentralization of corruption (Hadiz 2003, Andvig et al 2000). This happened in Indonesia only after 2001 and the restructuring along decentralized and democratic lines.

In India, the federal system ensured a like degree of decentralization already from the nation's birth. With political democratization the most important instrument became the political party. Parties need funds to acquire or maintain governmental power, which also gives them authority over the public administration. When Mrs. Gandhi in 1969 started a process that led to an increased personalization of the party organization she ushered in an era where the party machine became her tool. She expanded state control of economic activities by broadening the role of bureaucrats, thus facilitating the collusion between politics and bureaucracy. Hereafter party politics becomes a commercial transaction with maximization of profits as the main objective at the beck and call of the party leadership. Ironically, increased democratization brought more people into the political fold since party politics at all levels became a highway to ill-gotten gains. As a consequence of this, corruption increased manifold wherein 'money über alles' became the dominant theme both in politics and bureaucracy.

Historical background

To the extent that our argumentation for an all-encompassing culture of corruption borne primarily on a bazaar model is defensible, it raises the question of origins. As cultural, social mores, history, and tradition are very relevant to the study of corruption, one wants to know how such a situation arises? More important, how does it come to govern an entire society? Here arguments must turn to the Area Studies approach and more specifically to include historical explanation. In this light, Alatas' observation proves to be prophetic. Detrimental practices in countries of the Third World have '...been a continuous process having roots in the periods preceding modernization and Western domination.' More important is that 'Contemporary post-independence studies of corruption should be related to these preceding periods, to avoid lack of depth in analysis and explanation...' (1968:79-80).

Clearly, public administrations in the nations emerging after World War II are direct descendents of the colonial bureaucracy. The character of the modern day equivalents thus can be seen as local adoptions of the foreign bureaucratic model. It was ‘foreign’ in that the Europeans who staffed the higher echelons were parts of the colonial power’s bureaucratic network. Their *modus* of operation did not derive from Asian society; they only operated there. Although modified by local practice, basically the aims, disciplinary sanctions, and promotional channels were part and parcel of the administrative culture of the colonial power’s Department of Colonies or equivalent of which they were a distant part. This meant that with the spread of Weberian bureaucratic ideals in Europe, coupled with increasing numbers of technical services as public health, transportation and infrastructure, defense, etc, the ‘European’ side of the bureaucracy tended to a greater or lesser extent to imitate the ideals of a rational, neutral and efficient administrative structure roughly comparable to that of Europe or the United States.

The question is to what extent the colonial offspring absorbed the Weberian ideal. Here, India and The Philippines would seem to contrast with that of the Netherlands East Indies. Great Britain’s need to recruit and train locals – the population differential between colony and ‘mother country’ was too great to do anything else – and USA’s conscious ‘Philippinization’ of its colonial administration meant that in the transition to indigenous administrations to handle public business, India and The Philippines could draw upon a respectable number of local administrators experienced in the European/American systems. In contrast, Dutch exclusion of ‘natives’ in the non-technical governmental chain of command running from the Governor General through the Residents down to the district officers and allowing the ‘native’ bureaucratic elite (*priyayi*) considerable freedom for corruption and misuse of (Dutch) power meant a break when the new national state emerged. The Europeans were repatriated and the *priyayi* were never recruited into the Indonesian civil service, mainly because they had been lukewarm to the independence movement in colonial times. In any event, they were too closely identified with the former Dutch masters. Nevertheless the question remains, possibly an academic one, of which type of experience paved the way for a European-style public administration.

How and why?

For the present consideration, a more germane point is how the ostensibly colonial European model – either through hands-on experience or emulation of what was clearly an effective system – came to develop into what can be seen as a culture of corruption today. Even more important, why did it happen? To be honest one must admit that we haven't a clue. Yet there seem to be a couple of interesting hypotheses. With more research they might bring us further. The first revolves about the very success of the state building exercise. Securing the physical territory from external threat and internal dissidence, in concert with the passing of the 'revolutionary generation', i.e. the architects and builders of the new state, meant greatly reduced nationalistic élan. With it came the reduction of some restraints to stealing from the new state or from one's fellow citizens.

For India this seems to have begun in the early 1950s but gathered momentum in the late 60s when Mrs. Indira Gandhi succeeded in breaking up the Congress Party which was dominated by the old guard party bosses who had tightly controlled the purse strings of the Party. After gaining independence in 1947, under the leadership of Jawarharlal Nehru the state took control of not only the political but also the economic sphere and pursued the goal of economic growth with social justice. The only tools available for implementing the stated goals of the state were the elaborate bureaucratic and legal structures left behind by the British whose primary objective had been to maintain an exploitative colonial rule and, thus, in conflict with the and values, tempers and aspirations of a newly independent, developing, modernizing country[9]. (Gill, 1998) But the die was cast and the bureaucratic apparatus multiplied rapidly with the expansion of the state's functions. Unchecked proliferation of the bureaucracy and its functions, in the context of a legal system framed by a colonial ruler and an omnipresent state, led to the emergence of a politician-bureaucrat nexus which was a fertile ground to collude for mutual benefit.

The success of Mrs. Gandhi in 1969 in eliminating the old guard of the Party and concentrating political power in her hands opened a new phase in efforts to regulate and economic activity in general and private sector in particular. Mrs. Gandhi expanded state control with the introduction of the 'license-quota-permit raj'. This perhaps represents a

[9] Towards the end of his life, Nehru realized that this was one of the gravest errors made by him.

landmark in the spread of bureaucratic (and political) corruption in India. The requirement that licenses, permits and clearances had to be obtained for setting up new industrial undertakings, expanding the capacity of existing ones, complex import and export regulations gave the government extensive powers of patronage, as also of delay and extortion.[10] They were fully exploited, and continue to be exploited, by colluding politicians and bureaucrats for mutual benefit. Thus corruption became a pervasive phenomenon at all levels of the government. (Gill 1998)

Yet another development crucial to the spread of corruption was the imposition of the Emergency in mid-1975, which eroded the existing institutional checks on the arbitrary exercise of the state power. While the period of Emergency was short, it ended in January 1977, the damage it had done to institutions and administrative culture of the country was profound and by then embedded in the tissues of the system. In a sense, corruption became institutionalized and legitimized as an integral part of the political and bureaucratic culture.[11]

For Indonesia the mid 1960s was the beginning of three decades of authoritarian rule. They were characterized by a high degree of top-down authority and a moderate amount of corruption allowed. This was outside the sphere of the rapacious plunder of the state's finances by the 'Royal Family' and their mostly Sino-Indonesian cronies. Beginnings of a culture of corruption can be traced to the 1980s and the liberalization of the economy. Lack of effective rules regulating what was allowed and not allowed in the economic liberalization led to greatly expanded opportunities for graft. However the real watershed of corruption comes in the past decade of the 'Era of Reform' (*Reformasi*) after 1998, an era that successfully coupled decentralization and democratization with high levels of corruption. As neither the nation nor popular democracy was in danger, it was a question of 'ask not what you can do for your country, but what your country can do for you', i.e. make you rich quickly.

A second theme would be to pursue is the mismatch between the modernity of new financial and technical instruments and ultra

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[10] This meant that the bureaucrats were vested with the power to decide over granting licenses and permits to establish new undertakings, thus giving them access to greater resources. Corrupt bureaucrats made use of this power, akin to *veto power*, to demand bribes and other 'benefits' from the entrepreneurs to expedite matters. Corruption, thus, came to be seen as a way to create a 'fast lane' to administrative decisions for those who were willing to pay bribes and for those who willingly accepted bribes.

[11] In fact, corruption is pervasive in Indian institutions; close to one percent of the country's GDP is lost to bribes alone. There prevails a sense of public apathy for law and order, a fractured sense of public good and corruption across all sections of Indian society. (Raghunathan, 2006)

conservative (colonial) laws and ordinances, which were to regulate them. In essence this problem is shared by most of the world, but exacerbated in countries with tendencies toward corruption. Despite the fact that most of the financial instruments of fiddle such as hedge funds, sub prime loans, packaging and reselling of debts papers, etc are legal, their power to disrupt the economy has been proven beyond all shadow of a doubt. In many cases these instruments spread to developing countries' financial systems, which is one of the reasons they too are victims of the current economic crisis. The difference is that in the newly developed countries instruments of control, regulation, or even termination are considerably less robust, antiquated, unpopular, or all three. For example, during the 1997 crisis the Indonesian bankruptcy laws, dating from the nineteenth century as amended in 1938, were simply inadequate. Hence legal, but immoral and in the last analysis economically unsound, dealings could go further and more easily lead to out and out corruption in regions where corruption was already become of systematic proportions.

A third could be to that having achieved post-colonial independence there needed to an expansion of control was necessary in order to achieve the goals of independence. The tools utilized were often those of the previous colonial masters. Whereas what might previously been seen as corruption only practiced in the 'native enclaves' isolated from the running of the colony by the mother country now became integrated into the (now) national political life and economy. The extension of controls further provided new avenues for marketing influence, information and jumping the queue in the distribution of what came to be ever more sparse resources.

The 'expansionary' post-colonial period laid the ground for rules, mores, and practices of the bazaar for corruption, which became ever more integrated into the national economy when the state was most concerned in establishing itself. The national economy was also thereby 'infected' by the bazaar methods of the local enclaves. National political and economic life thereby incorporated the bazaar (native) and personalized (read corrupt) mechanisms: the rational and modern was thus 'tainted' by the irrational. Under colonial administration what the natives did had no import if it did not directly affect control and extortion, but now what the natives did out in the furthest reaches of the nation-state had a direct import on the nations economy, administration and political life. Hence the *corruption bazaar* was conceived.

A fourth line would be to see corruption as a way of ensuring that the world is more predicable, at least to the actor. This can be seen as a perversion of the concept of the ‘moral economy.’ Actors hedge their bets by having more than one source of income. As in subsistence agricultural, one does not put all one’s eggs in one basket by maximizing production through economies of scale or specialized monoculture or a commitment to a single endeavor. Instead one takes out some insurance by cultivating several sources of income. In case of the failure of one, the actor is able to survive from the yields of the other(s). Should an official’s position be threatened, or more common these days, should his/her organization be threatened, there are alternative sources of, albeit supplementary, income, although they may intermittently overshadow the regular income. There is, of course, the countervailing danger that the existence, if revealed, of the complementary income(s) may adversely affect the primary one, in which case the (perverse) moral economy carries the seeds of its own destruction.

To sum up the foregoing discussion, our argument rests on the importance of seeing corruption in other than from a moralistic position as deviant behavior from the Euro-centric, Weberian standard. It should, rather, be seen from within and as a more or less integrated system. Moreover, we contend that the bazaar model provides an important approach. It must, however, be complemented with larges doses of local cultural constraints and unique historical developments. Among these would be the differential result of, say, decentralization. Indonesia’s recent and far-reaching decentralization, both political and fiscal, has led if not to increased total corruption, at very least to its becoming spread throughout the archipelago. India has a strong federal government with a decentralized political and administrative structure, which, ironically, has also led to greater corruption. Indeed, it is such contrasts and similarities that make comparative studies so valuable.

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