

**International School of Management**

**DBA/PhD**

**Business Ethics 794- BETH**

**Syllabus**

***Final Assignment: individual essay topics. #1***  
***“bribes to government officials”***

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### **Final Assignment: Individual essay topics**

**“Bribes to government officials, side payments to sidekicks, facilitation payments, donations to political parties before elections.....When and why may we consider corruption morally corrupt? Analyse critically the meaning of corruption in an international business setting and assess its economic, social and moral impact”.**

#### **Abstract**

*When looking at what grounds may be favorable for corruption, and how to condemn them, one easily can jump to the conclusion that the poorest countries are the most corrupt ones, this being both the cause and the consequence of it. While true to some extent, this statement takes its root in our sole understanding of the situations we are meeting, anno 2013.*

*Grounds for corruption abound and needs to be compared with the very opposite grounds for “non-corruption” so to assess how and when, corruption takes place and stops. To do so, a comparative survey, based on Transparency International (TI), Corruption Perception Index (CPI) 2012, has been thoroughly processed and direct comparison between the Top and Bottom 25, least and most corrupt, countries in the world, conducted. Additional data was gathered so to expand our field of analysis to further Macroeconomics comparisons.*

*Our analysis showed that the low level of education to be found in the most corrupt countries does offer a kind of stability which, combined with low level of literacy, favor corruption, as an answer to “physiological” needs (“demand-side”), especially in the absence of a “social contract” and fair redistribution from the State. Low education and literacy endowing lesser skills and abilities for individuals to socially integrate, learn and grow (employment adding skills, skills supporting growing economics), access to resources will be limited to a few “entrusted power”, usually among the “Officials”, whom in turn will favor the status-quo and “shutter” the country to controversial elements such as Political and Civil Rights (Freedom), and income and wealth sharing (Gini index).*

*Much more than just the size of the country (population and area wise), it appears clearly that the “age” of the studied countries (that is since the date of their independence and creation), and consequently (or subversively) their “maturity” (with respect to their past and their lack of “structuring”) plays a foremost role into their attitude toward corruption. Usually rich for their soils and resources, those Bottom 25 countries have been colonized or annexed until a recent past, which leaves many of them into the situation where economic growth is sporadic, and the individuals left in a “state of nature” which force them to still have to rely on connections and faith to survive.*

*As such, it is very interesting to assess that the presence of Faith (e.g. whether Church, Mosque, Temples...) and its importance diminishes grandly when economics grow, to be very reduced (except for the USA) in “developed” (less corrupt) countries, whereas a high level of (fair) tax collection is seen as favorable for the State to gather, as it implies that individuals will get from the collectivity, their share of the “social contract”, and redistributed richness, which in turn will decrease (to the abolition) the needs for corruption.*

*Finally, as we focused our analysis on a Macroeconomics understanding of corruption, it was purposely decided to leave aside “peripheral” topics linked to corruption, such as Ethics, Corporate Social Responsibility, Public-Private Partnership and (for reasons of a lack of clear consensus) the impact of Globalization on (decrease/increase of) corruption.*

## Introduction

Corruption<sup>1</sup> may appear and take effect in different shapes, forms and places, with different perception, understanding and tolerance, depending upon the weight one will place behind its (cultural) translation and generalization. In the present document, the word corruption will be used as a general term, and will encompass all of its forms, from plain corruption such as Bribery<sup>2</sup> and Graft<sup>3</sup>, with money directly involved, to Nepotism<sup>4</sup> and Cronyism<sup>5</sup>, characterized as “placing” people in (key) positions, to (business) Networking<sup>6</sup>, for direct (better) access to, and influence on, decision making. As such corruption mainly deals with enrichment, power and influence, and is to be considered directly, or remotely, as “being applied in the Public and Private sectors, involving public officials, civil servants or politicians”, as defined by Transparency International (TI), in its Corruption Perception Index (CPI).

The main base of the document is to be found on the “Corruption Perceptions Index 2012”, as extracted in Appendix 1, to which several aggregates have been added, so to allow broadening of our scope of data analysis and “trends” identification. For reasons of ease of comparison, the document will though mainly focus on the “Top25, less corrupt” countries, and on the “Bottom25, most corrupt” ones, as illustrated in figure 1.

		average	standard deviation	highest	lowest
<b>Top25</b>	Less corrupt	79	7	90	69
<b>Bottom25</b>	Most corrupt	19	5	25	8
<i>most to less corrupt delta</i>		<i>-60</i>	<i>-2</i>	<i>-65</i>	<i>-61</i>

**Fig. 1:** CPI 2012 – Top 25 Least and most corrupt counties

The 2012 CPI draws on 17 data sources from 13 institutions and ranks 176 countries on a 1-100 scale. The average index is 43.

Further to it, our analysis follows closely Beets (2005) “classification” of the 5 fields favorable to corruptions, such as “education”, “geography”, “culture”, economics” and “(poverty) government shortcomings”, yet in a different set of orders. Beets (2005) also assessed that understanding and reduction of corruption should be based on “efforts directed toward the supply-side... (as well as) on considering the demand-side of corruption”. It is though interesting to note that the Organisation for Economic Co-operation and Development (OECD), in 2012, added a third dimension to it, indicating that “Confiscation and recovery of the proceeds derived from foreign bribery are key elements in the international framework to fight corruption of public officials”.

As such our analysis will be limited to the supply and demand-side of the corruption and will not differentiate between “Systemic”, “Sporadic (individual)”, “Political (Grand)”, “Grand corruption”, and “Petty” corruption, as defined by U4 Anti-Corruption Resource Centre, and retrieved by Byrne (2009). Additionally, we will also refrain from disserting about “business ethics” (Gini & Marcoux, 2008), considering solely corruption on a macroeconomic level, while perfectly aware that the lack of “business ethics” sustains the presence of corruption, the previous being closely associated in our mind with Beets (2005) “supply-side of corruption”.

<sup>1</sup> Corruption – noun: “the abuse of entrusted power for private gain”. [www.transparency.org/cpi2011/in\\_detail#myAnchor3](http://www.transparency.org/cpi2011/in_detail#myAnchor3)

<sup>2</sup> Bribery – noun: “the giving or offering of a bribe” (dishonestly persuade (someone) to act in one’s favor by a gift of money or other inducement). <http://oxforddictionaries.com>

<sup>3</sup> Graft (politics) – Noun: “a form of political corruption, is the unscrupulous use of a politician's authority for personal gain”. <http://en.wikipedia.org>

<sup>4</sup> Nepotism – noun: “favouritism shown to relatives or close friends by those with power or influence”. <http://www.collinsdictionary.com>

<sup>5</sup> Cronyism – noun: “the practice of appointing friends to high-level, especially political, posts regardless of their suitability”. <http://www.collinsdictionary.com>

<sup>6</sup> Networking – noun: “forming business connections and contacts through informal social meetings”. <http://www.collinsdictionary.com>

## 1. Grounds for corruption

Hobbes (1651) termed the “state of nature” in which he argued that “individuals' actions are bound only by their personal power and conscience”. On the other side, Rousseau (1762) defined that “individuals have consented, either explicitly or tacitly, to surrender some of their freedoms and submit to the authority of the ruler or magistrate (or to the decision of a majority), in exchange for protection of their remaining rights”, allowing to believe in the role of the State (Government, institutions, officials...) as the guarantor for the common well-being.

While not directly in contradiction, these 2 considerations show that from acting “alone” and “free” an individual has to progress toward acting “collectively” to the price of a lesser individual freedom, given a protection from the collectivity and a higher sense of (social) recognition. These notions encompasses the needs for individuals to access knowledge (through education, and literacy, as illustrated in figures 2 and 3), recognition in playing a social role as an economic actor (through employment, shown in figure 4 and taxations, shared in figure 5), as well as seeing a fair redistribution of the “common wealth” (through equality in distribution, illustrated by figure 6).

### 11. Education levels

Even though all data were not available for the Bottom 25 countries, in the matter of Percentage of the Gross Domestic Product (GDP) spent on education, it is interesting to note that the standard deviation in the average spending, do not differ grandly (1.08) from Top and Bottom 25 countries. Figure 2 shows though that the principal difference lies in the much lower level (60 percent) of expenditures of the Bottom 25 countries, in such a paramount “act, or process, acquiring knowledge”.

	average	standard deviation	highest	lowest
<b>Top25</b> Less corrupt	5.6%	1.6%	8.7%	2.9%
<b>Bottom25</b> Most corrupt	3.4%	1.73%	6.1%	0.6%
<i>most to less corrupt ratio</i>	<i>0.60</i>	<i>1.08</i>	<i>0.7</i>	<i>0.2</i>

**Fig. 2: CPI 2012 – Top & Bottom 25 - Education expenditure (% GDP)**

Education not pertaining to regalia<sup>7</sup>, as such the level of expenditures of the State (as a percentage of it GDP), can only be assessed as being key to developing and maintaining a country’s level of knowledge, which in turn can impact on peoples’ ability to move away from the “state of nature”, in the lack of an efficient “social contract”. Conversely, keeping people away from education, can field a kind of (contradictory) social stability, in the people’s inability (lack of capacity) to move away from their current (known) situation. The Top 5, less corrupted, countries, spending about 6.6 percent of their GDP for education, while the Bottom 5, most corrupted, spends (when data available), about 3.18 percent.

### 12. Literacy rate

Directly linked to the above illustrated education level, literacy, as shown in figure 3, is close to 100 percent for the Top 25, less corrupt, countries with a very limited standard deviation, the difference between its lowest and its highest percentage being of less than ten percent.

<sup>7</sup> The word regalia comes from Latin and is, technically speaking, the plural of regalis. However, in the way the word is used in English today it behaves as a collective noun, similar to words like staff or government. <http://oxforddictionaries.com>

		average	standard deviation	highest	lowest
<b>Top25</b>	Less corrupt	98%	2.5%	100%	90.1%
<b>Bottom25</b>	Most corrupt	74.2%	22.61%	99.70%	28.10%
<i>most to less corrupt ratio</i>		<i>0.75</i>	<i>9.04</i>	<i>0.99</i>	<i>0.31</i>

**Fig. 3:** CPI 2012 – Top & Bottom 25 - Literacy rate

The listed literacy rate, does not drill into Male and Female differences in access to reading and writing, but one can easily assess that the situation on that issue differs grandly in the Bottom 25, most corrupt, countries, from the one met by the Top 25 ones. As such, it can be understood that lack of literacy, while not directly jeopardizing ones capability to work, will limit ones capability to grow socially and in her/his education, and as such may reduce ones capability in limiting the “demand-side” of corruption.

### 13. Unemployment level

Employment being a factor of social integration, whereas work will bring sustainable social interaction, financial means, and skill developments, a country’s capability in encouraging (public and) private employment, will see higher level of social stability (after a period of growth then stabilization), higher individual spending and longer-term trust in the economics. One can believe that even though not directly linked to corruption (whereas corruption occurs with “entrusted power”, that is people in socially active positions), a high level of unemployment undoubtedly leads each individual to satisfy her/his basic “physiological” needs (Maslow, 1943), in the absence of a fair “social contract”. Consequently, individuals’ full access to the second level in their hierarchy of needs, the “Safety” ones (Maslow, 1943), will have to be gotten through the redistribution of proceeds, across “connections” (e.g. family, appurtenance, community...) with “empowered actors”. Figure 4 assesses how unemployment can differ between Top and Bottom 25 countries.

		average	standard deviation	highest	lowest
<b>Top25</b>	Less corrupt	7.2%	3.8%	20%	2%
<b>Bottom25</b>	Most corrupt	21.9%	23.1%	95%	0%
<i>most to less corrupt ratio</i>		<i>3.04</i>	<i>6.08</i>	<i>4.75</i>	<i>n/a</i>

**Fig. 4:** CPI 2012 – Top & Bottom 25 - Unemployment rate

While directly linked to the capability of the (Private and Public) actors to provide jobs and work opportunities, as well as the necessary “market presence” (that is exchange of goods and money) one can also link the huge discrepancy (3.04 time) between the average rate of unemployment in Bottom and Top 25 countries with the previously shared data (figures 2 and 3). Full employment being assessed by the International Labor Office, at around 5% of unemployment, it is interesting to note that (2012 data), six countries in the Top 25 ones, are having less than 5% of unemployment, while four countries in the Bottom 25 do have “full employment” rate, though with for the latter, a 6.08 time higher standard deviation rate. Top 5, less corrupt, countries gathers a 5.94 percent rate of unemployment, as compared to a 25 percent one for the Bottom 25, most corrupt, ones (when data available).

### 14. Taxation rate

While never popular, yet very much in phase with Rousseau’s (1762) social contract, levying of taxes<sup>8</sup> (e.g. whether on personal income, on society, on goods...), contributes to the quality and quantity of available means, for the State to redistribute, through (mainly) the national (regalia), regional, or local

<sup>8</sup> Taxes – noun: “a compulsory contribution to state revenue, levied by the government on workers’ income and business profits, or added to the cost of some goods, services, and transactions”. <http://oxforddictionaries.com>

authorities, with each individuals (citizen). Figure 5, presents with the level of Taxes and other revenues, per percentage of GDP of the Top and Bottom 25 countries.

	average	standard deviation	highest	lowest
<b>Top25</b> Less corrupt	37.1%	13.5%	57%	15%
<b>Bottom25</b> Most corrupt	30.1%	21.3%	80%	15%
<i>most to less corrupt ratio</i>	<i>0.81</i>	<i>1.57</i>	<i>1.4</i>	<i>1</i>

**Fig. 5: CPI 2012 – Top & Bottom 25 - Taxes and other revenues (% GDP)**

As often heard; “too much tax collection, (may) kill the taxes”. It is therefore important to distinguish between high level of taxation (on few actors) and their spreading (on many). Indeed even though the figures don’t show, one can expect that the levying of taxes is based on a larger number of actors in the Top 25, less corrupt, countries (among them top four out of seven being Scandinavian, with a tax collection rate of 49.55% and a long tradition for it), than on the Bottom 25 ones. Indeed the standard deviation, and highest/lowest rates, shows that discrepancies in their levying can be large. Combined with high level of unemployment (whereas income and consumption taxes are lowered), it can be assessed that taxation among the Bottom 25 countries is focused on a limited number of actors, while their levels of redistribution is (assessed as) limited to a few ones. All of it encouraging the ones levied to decrease their level of contributions (e.g. through tax avoidance, evasion, sidekicks, facilitation payments...), while the many not “gratified” by their redistribution, still looking for alternative ways to access the alleged proceeds.

## 15. Gini<sup>9</sup> Index

Representing the capability of the State to redistribute evenly its resources, the Gini index, as illustrated in figure 6, does not differ grandly from the Top and Bottom 25 countries. It is due mainly to the presence of four countries (Singapore #5, Hong-Kong #14, Chile #20 and Uruguay #20) with Gini indexes higher than 45.3. Without those four countries, the Top 25 Gini index will be assessed at 31, while without the “best four” out of the Bottom 25 (when data available), the Gini index will reach 45.1.

	average	standard deviation	highest	lowest
<b>Top25</b> Less corrupt	34	14.3	54	23
<b>Bottom25</b> Most corrupt	42.2	22.2	59	33
<i>most to less corrupt ratio</i>	<i>1.24</i>	<i>1.55</i>	<i>1.09</i>	<i>1.43</i>

**Fig. 6: CPI 2012 – Top & Bottom 25 - Gini Index**

The standard deviation shows further that some of the Bottom 25 countries, four, do indeed have an index higher than 50. A higher index translating into an unfair level of redistribution, whereas few people can access higher income and wealth, to the cost of the many people, left behind. Wealth and abundance calling for more, a large Gini index shows a propensity for a country to maintain (and/or expand) the gap between its richest and poorest citizens.

<sup>9</sup> The Gini coefficient (also known as the Gini index or Gini ratio) measures the inequality among values of a frequency distribution. A Gini coefficient of zero expresses perfect equality, where all values are the same. A Gini coefficient of 100 expresses maximal inequality among values. Gini coefficient is commonly used as a measure of inequality of income or wealth.

<http://en.wikipedia.org>

## 2. Geopolitical factors

Harrison & Huntington (2000) compared “progressive” cultures with “static” ones, whereas the first “consider merit essential to advancement, extend trust beyond family to society, and enforce justice and fair play” while the latter do “consider justice to be a function of connections or wealth”. As seen previously, the Bottom 25, most corrupt, countries, do seem to belong to the “static” ones, while the Top 25, less corrupt, ones, do believe and trust in the State and belong more to the “Progressive” cultures.

While not directly opposable as in “South versus North”, it is interesting to see how “progressivity” and “immobility” can result from a country size (population and area, as illustrated in figures 7 and 8), its geographical location (region of origin, as shared in figure 9), and “age” (colonial/annexation past, as per figure 10), which can be directly linked to its political “openness” (in their access to democracy and freedom rating, shown in figures 11 and 12) and propensity to corruption.

### 21. Country size

One can assess that the larger the countries, the lesser the presence of the State and somehow the larger the distance between two individuals. Indeed on the Top 25, less corrupted, countries, if the largest 3 (USA, Japan and Germany) are to be taken away, the average population size of the remaining 22 will be of 13.4 million inhabitants (versus 32.8, as per figure 7), for an average area of 967 645 square kilometers (instead of 1 273 992, as per figure 8).

		average	standard deviation	highest	lowest	
<b>Top25</b>	Less corrupt	population (mio)	32.8	66.9	316.7	0.2
<b>Bottom25</b>	Most corrupt	population (mio)	19.2	17.3	75.5	0.7
		<i>most to less corrupt ratio</i>	<i>0.6</i>	<i>0.3</i>	<i>0.2</i>	<i>3.5</i>

Fig. 7: CPI 2012 – Top and Bottom 25 - population (mio)

		average	standard deviation	highest	lowest	
<b>Top25</b>	Less corrupt	area (km)	1 273 992	3 010 203	9 984 670	430
<b>Bottom25</b>	Most corrupt	area (km)	630 166	616 783	2 344 858	27 750
		<i>most to less corrupt ratio</i>	<i>0.5</i>	<i>0.2</i>	<i>0.2</i>	<i>64.5</i>

Fig. 8: CPI 2012 – Top and Bottom 25 - area (sq km)

On the other end, the relatively low standard deviation on the population size of the Bottom 25, most corrupt, countries, as well as the average number of inhabitants for those countries, does tend to show that indeed the size of the population does not really play a role in its (lesser) acceptance of corruption. The same goes for the geographical size of the countries, whereas it is worth noting that nine countries (Finland, New-Zealand, Sweden, Australia, Norway, Canada, Iceland, Uruguay and Chile) are to be found among the 50 less densely populated ones in the world.

### 23. Geolocalization

When considering (especially) the most corrupted countries, one often think “Africa” and “Middle-East” and to a lesser extend “Asia”. Indeed, as shown in figure 9, these three “regions of origin” do represent 18 out of 23 (64 percent) countries among the Top and Bottom 25 countries, whereas five countries from Asia are also among the less corrupted ones. Further to that, Harrison & Huntington (2000), offered that “Asia has tended to rely on personal, often family-based, relationships...” which can (be understood as ground to) translate into either plain “systemic” corruption or broader notions of “networking” and reciprocal endeavors.



		AF	AM	AP	ME	EE	EU
<b>Top25</b>	Less corrupt	0	7	5	0	0	13
<b>Bottom25</b>	Most corrupt	9	3	6	3	4	0
<i>most to less corrupt delta</i>		<i>9</i>	<i>-4</i>	<i>1</i>	<i>3</i>	<i>4</i>	<i>-13</i>

Fig. 9: CPI 2012 – Top and Bottom 25 - Zones of Origin

It is interesting to note that the 13 countries in Europe among the less corrupted ones, all of them are coming from the “old Europe”, whether member of the European Union or not. This is to be compared with the “young” countries, whether former colonies or formerly annexed (USSR) ones, freed at the mid-end of the last centuries, and which can be found for the most of them in the second to the bottom part of the Transparency International CPI2012 Index. More than just the geolocalization of the countries, the presence of natural richness (e.g. minerals, oil, gaz...) in their soil and their “unfair” (past and present) exploitation (by a few “entrusted powers”), may be seen as the main reasons behind their high level of corruption.

## 24. Age and colonial past

To some extent most of the countries, whether in the Top or Bottom 25 are former colonies. Indeed especially Scandinavia and Great Britain (the British Empire) have been having their “shares” of colonies, as well as the French, Portuguese, Spanish and Belgian former (especially) African and American ones. Figure 10, shows though that the “age” of the Top 25, less corrupt, countries, that is their age since their creation or “autonomy” is about 2.6 times higher than the Bottom 25, most corrupt, ones. Among the most corrupt ones, former Soviet and (current) Communists “annexations” do represent a large share of them, beside the more visible former “black colonies”.

			Yes	No	Age
<b>Top25</b>	Less corrupt	former colony	14	11	181
<b>Bottom25</b>	Most corrupt	former colony	25	0	69
<i>most to less corrupt delta</i>			<i>11</i>	<i>-11</i>	<i>-111</i>

Fig. 10: CPI 2012 – Top and Bottom 25 - Countries age and colonial past

Bertocchi & Canova (2002) indicate that “empirical work also confirms the existence of a link between a country's past colonial experience and its current level of economic development”. Combined with Sandholtz & Taagepera (2005), writing about former “Communist” countries, who assessed that “a strong ‘survival’ orientation contributes twice as much as a strong ‘traditional’ orientation to higher levels of corruption”, we may have here one of the key element in assessing which countries at the most likely candidate for corruption. To that, one must bear in mind the time it takes for people and the State to move forward, build and strengthen the right kind of “structures” which will favor the appropriate “social contract”, as also illustrated by Paldam (1999) and shared in figure 16.

## 25. Political openness

Mohtadi (2003), tells us that “Democratization would lead to faster growth, less corruption and less inefficiency”, which entail us to look at how “democratic” the Top and Bottom 25 countries are (figure 11).

		Democracy	Monarchy	Republic	Other
<b>Top25</b>	Less corrupt	10	6	9	
<b>Bottom25</b>	Most corrupt	5	0	16	4
<i>most to less corrupt delta</i>		<i>-5</i>	<i>-6</i>	<i>7</i>	<i>4</i>

Fig. 11: CPI 2012 – Top and Bottom 25 - Government types

When looking at the number of “democracy<sup>10</sup>” one can see that about 30 percent of the 50 countries do call themselves as such. Six countries among the Top 25, less corrupt, countries are “Monarchy<sup>11</sup>”, while overall 50 percent of all countries are qualifying themselves as “Republic<sup>12</sup>”. All in all very few (about 8 percent) cannot be associated with a direct form of “free” electoral process.

However, behind the words “Democracy”, “Monarchy” and “Republic”, one has to look at their “Freedom rating”, as shared in figure 12, from the data of “The Freedom House 2012”.

			Status				
			Political Rights	Civil Rights	Free	Partly Free	Not Free
<b>Top25</b>	Less corrupt	freedom rating	1,1	1,2	23	1	0
<b>Bottom25</b>	Most corrupt	freedom rating	5,8	5,6	0	8	17
<i>most to less corrupt ratio</i>			<i>5,2</i>	<i>4,8</i>	<i>-23</i>	<i>7</i>	<i>17</i>

**Fig. 12:** CPI 2012 – Top and Bottom 25 - Freedom rating 2012

*Index 7 is the maximum, negative, one, while index 1 is the best, positive, one.*

Among the Top 25, less corrupted, countries sole Singapore has a kind of Partly Free rating, while none of them has a “Not Free” index. On the other side, all Bottom 25, most corrupt, countries, are either “Partly” or “Not” Free, scoring relatively high on the absence of “Political Rights” (5.8 out of 7) and “Civil Rights” (5.6 out of 7). The absence of freedom, clearly encouraging mistrust in the State (and each other), leading “entrusted powers” to favor Bribery, Graft, Nepotism and Cronyism, all in all participating into a “systemic” level of corruption.

### 3. Economical and spiritual repercussions

Lin (2005) shared with us that “the statist tradition is the fruit of the peasants’ positive image of the state as protector instead of suppressor, which in turn endorses the cultural notions of both trust in authorities (authoritarianism) and political obedience”. As previously shown, “Freedom” not being a strong side of the Bottom 25, most corrupt, relatively young countries, the State cannot be perceived as redistributing the common wealth or income, cannot be a trusted authority, and as such do participate into its disobedience.

In countries with poor employment rates, weight of the “Public” sector and employees is more than often oversized, inefficiency is known to abound, translating into excessive bureaucracy. Bureaucracy (in its most distorted meaning of bureaucrats<sup>13</sup>), “imposing a disproportionate bureaucratic burden on small and medium size enterprises, creating both incentives and opportunities for bribery and corruption.” (Martini, 2013).

While assessing the economic situation of the Top and Bottom 25 countries, in figure 13, we will also assess how religion does (or not) impede into the acceptance of corruption, and if any particular religion do favor it (figure 14), while assessing how the importance of faith (figure 15) does show on the corruption fields. We will then see when, and if, corruption does diminish in any economy (figure 16), given growth.

<sup>10</sup> Democracy – noun: “a system of government by the whole population or all the eligible members of a state, typically through elected representatives”. <http://oxforddictionaries.com>

<sup>11</sup> Monarchy – noun: “a form of government with a monarch at the head”. <http://oxforddictionaries.com>

<sup>12</sup> Republic – noun: “a state in which supreme power is held by the people and their elected representatives, and which has an elected or nominated president rather than a monarch”. <http://oxforddictionaries.com>

<sup>13</sup> Bureaucrat – noun: “an official in a government department, in particular one perceived as being concerned with procedural correctness at the expense of people’s need”.

### 31. Economical levels of developments

It does not come as a surprise that the Bottom 25, most corrupt, countries, do lag way behind the Top 25, less corrupted, ones as far as economic development is concerned. Indeed, as illustrated in figure 13, their level of Gross Domestic Product<sup>14</sup> (GDP), stands at about 4.3 percent of the most developed ones, while their GDP per Capita, is slightly better off at about 10.5%. GDP representing the value produced (and paid for) within a year, it is the result of the (mainly) Private sector, to the exception of when national wealth (e.g. raw material) is sold (usually) abroad. It is the confirmation that the above mentioned low levels of education, literacy, (bureaucratic) efficiency, freedom, and high level of unemployment and unfair wealth redistribution, do translate in poor economic developments and high level of corruption.

		GDP (bio)	GDP per Capita (\$)	PPP \$
<b>Top25</b>	average	\$1 379	\$39 308	\$40 867
<b>Bottom25</b>	average	\$59	\$4 144	\$5 517
<i>most to less corrupt ratio</i>		<i>4,3%</i>	<i>10,5%</i>	<i>13,5%</i>

**Fig. 13:** CPI 2012 – Top & Bottom 25 - Economical developments

Further to it, the Purchasing Power Parity<sup>15</sup>, expressed in USD, shows that the Bottom 25, most corrupt, countries do value their economic worth as being about 13.5% of the Top 25 ones. In other words, for any economical inputs of one USD, in one of the Top 25 countries, 7.4 USD will be required from one of the Bottom 25, endangering access to higher level resources, allowing for better efficiency, and economic growth, which in turn force people to look for alternative ways of getting access to richness.

### 32. Religious<sup>16</sup> beliefs

As stated by Heather (2011), “the basis for the increasing attention given to the religion-corruption nexus stems from the argument that fairness and honesty form the basis of many religions. It is sometimes assumed that religious leaders may be recruited to the fight against corruption and that religious people are less likely than non-religious people to engage in corruption”. It was therefore interesting to assess if any peculiar religion was “encouraging” (or at least directly linked to) corruption, as detailed in figure 14.

		Protestant	Christian	Muslim	Buddhist	Shintoism	Other	None	
<b>Top25</b>	Less corrupt nce Top 3 beliefs	16	22	4	2	1	9	14	
	Weight of Top3 beliefs	28%	33%	1%	11%	13%	5%	9%	(pop x% per religion)
<b>Bottom25</b>	Most corrupt nce Top 3 beliefs	8	18	14	4	0	15	0	
	Weight of Top3 beliefs	6%	26%	42%	20%	0%	6%	0%	(pop x% per religion)

**Fig. 14:** CPI 2012 – Top & Bottom 25 - Main religion faiths

Protestant<sup>17</sup>, Christian<sup>18</sup>, Muslims<sup>19</sup>, Buddhist<sup>20</sup> and Shintoism<sup>21</sup>, are the main five religious beliefs to be found (among the major three religion in any given country) in the Top and Bottom 25 studied countries.

<sup>14</sup> Gross Domestic Product – noun: “the total value of goods produced and services provided in a country during one year”.

<sup>15</sup> Purchasing Power Parity – noun: “an economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency's purchasing power”. <http://www.investopedia.com>

<sup>16</sup> Religion – noun: “the belief in and worship of a superhuman controlling power, especially a personal God or gods”.

<sup>17</sup> Protestant – Noun: “a member or follower of any of the Western Christian churches that are separate from the Roman Catholic Church and follow the principles of the Reformation, including the Baptist, Presbyterian, and Lutheran churches”. <http://oxforddictionaries.com>

<sup>18</sup> Christian – noun: “a person who has received Christian baptism or is a believer in Jesus Christ and his teachings”. <http://oxforddictionaries.com>

<sup>19</sup> Muslim – noun: “a follower of the religion of Islam”. <http://oxforddictionaries.com>

As such 55 percent of the faith to be found in the less corrupt countries is split between Christianity and Protestantism, among which Protestantism is dominant in the four out of five ones. On the other side, between Islam and Christianity, 54 percent of these two faiths is to be found in the most corrupted ones. Paldam (1999), further assessing that "... certain religions - notably the more puritan strands of Protestantism – place moral value in thrift, hard work and investment, condemning idleness and consumption. Such attitudes are obviously good for investment and growth". He also added that "that the more religiously divided a country, the less corrupt it is", which does not clearly appear here.

However, due to the sizes of their population, faith is also to be weighed against the number of "followers" to be found in each of the 50 studied countries, as shown in the figure 14. This gives the indication that 61 percent of the least corrupted countries are of Christians and Protestants beliefs, while 68 percent of the most corrupted countries are of Islamic or Christian faith. It is interesting to note that neither among the Top 25 countries, nor the Bottom 25 ones, is the Judaism religion among the major 3 ones.

Additionally, those figures are also to be compared with the importance of the faith in any given country, as many (especially Westerns, to the exception of the USA) of the richest ones do believe less in God and faith, than the lesser rich ones, as illustrated in figure 15. Barro (2003) showed indeed that the "effects of church attendance and religious beliefs on economic growth", were opposed, the more an economy is growing, the less the faith is dominant.

		average	standard deviation	highest	lowest
<b>Top25</b>	Less corrupt	37,1%	15,6%	70%	17%
<b>Bottom25</b>	Most corrupt	85,3%	13,5%	98%	51%
<i>most to less corrupt ratio</i>		<b>2.3</b>	<b>0.86</b>	<b>1.4</b>	<b>3</b>

**Fig. 15: CPI 2012 – Top & Bottom 25- Importance of faith and attendance rates**

While the standard deviation seems to be relatively identical, religious attendance and beliefs is by far higher (2.3 times) in the Bottom 25, most corrupt, countries as compared with the Top 25, least corrupt, ones. Indeed the least "attending" ones, among the Bottom 25, are still about three times more fervent than among the Top 25 countries. This clearly shows that the less "faithful" a country is, the less prone to corruption it appears. Adding to that, or more rightly, as a consequence of it, Barro (2003) appears to be right when he assesses that "the less religious a country, the more it grows".

### 33. Economic growth and corruption decline

Paldam (1999), shows that the process of moving from a poor "stable" to a richer (again) "stable" society takes an intermediary step, an "unstable" ("mess") one, where the weight and importance of the religion is diminishing, while corruption first rise ("mess") then diminishes ("stabilization"), as illustrated in figure 16.

<sup>20</sup> Buddhism – noun: " a widespread Asian religion or philosophy, founded by Siddhartha Gautama in northeastern India in the 5th century before Christ". <http://oxforddictionaries.com>

<sup>21</sup> Shinto – noun: "a Japanese religion dating from the early 8th century and incorporating the worship of ancestors and nature spirits and a belief in sacred power ( kami) in both animate and inanimate things. It was the state religion of Japan until 1945". <http://oxforddictionaries.com>

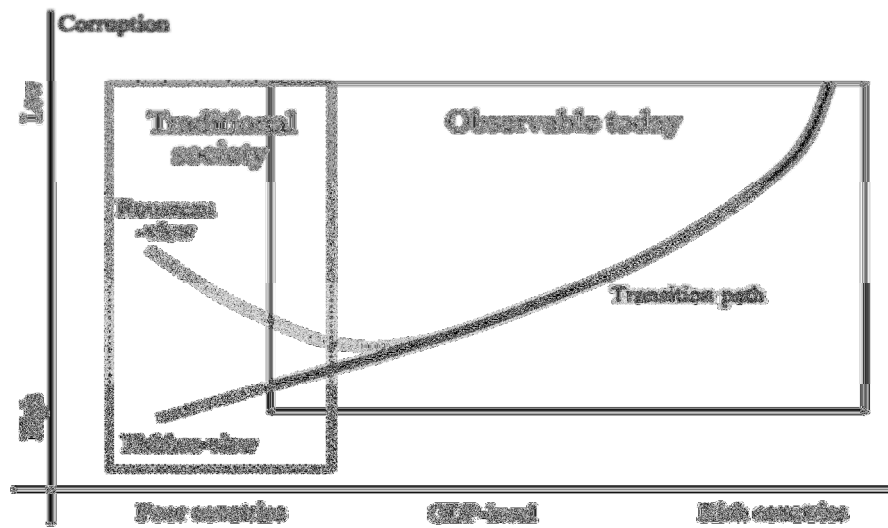


Fig. 16: Fukuda (1999) - Corruption declines against economic growth

This shows that the more an economical growth a country can gather, the better a redistribution role its State can play, the more the individuals trust it (social contract) and the lesser the corruption needs.

As a real life example, a random choice of South Korea, showed (figure 17), that in the period 2001-2012, the country's CPI index grew by 33% while the country's GDP grew by 53%.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Growth
CPI	4,2	4,5	4,3	4,5	5	5,1	5,1	5,6	5,5	5,4	5,4	5,6	33%
GDP	0,7	0,8	0,8	0,8	0,8	0,9	0,9	1,0	1,0	1,0	1,1	1,1	53%

Fig. 17: CPI and GDP growth 2001-2012 – South Korea

However, Carr (2010) indicates that “corruption is an issue that affects developing and developed countries alike”, whereas Businesses are the fueling engine for its spreading. He does though see “since the mid-1990s... adopting conventions for ratification and effective implementation by Contracting States and soft law instruments for voluntary incorporation by businesses within their Corporate Social Responsibility<sup>22</sup> (CSR) policies”. This assumption, taking into further consideration the “supply-side” (developed) and the “demand-side” (developing) of corruption, places the main responsibility of the corruption on the business actors, while stressing that it has to be a “voluntary” undertaking by the business corporation, whereas the State is here to represent the “sanctioning” forces, leaning toward its ending.

<sup>22</sup> Corporate Social Responsibility – noun: (World Business Council for Sustainable Development) “is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”. <http://www.wbcsd.org>

## Conclusion

Corruption, takes its roots on several grounds, but is mainly to be found in “young” countries, where past relationships with “older” States, have led to the situation where weak infrastructures and ensuing low economic developments, keep active “a strong ‘survival’ orientation of the individuals, whom will feel the “needs” to fill-in the vacuum left by the new (political) situation. Examples abound in showing that several generations and strong political, as well as economical, commitments are necessary to pursue, and succeed, in such a dramatic change.

Further to that, corruption is maintained in place in the absence of redistribution from the State, through limited access to education, literacy and employment. It is though mainly fueled by the lack of openness of the countries in which it is the most present, as the just mentioned three elements may represent a threat to the countries’ “stability”, which in turn lead people to distrust even more the system (and loss of its social contract). Alternatives to it, through personal connections, bribery, graft, nepotism and cronyism for those few in “empowered positions” (that is, for the most part acting as “officials”), are then to be found and nurtured, as an answer for people “physiological” needs.

To that, it is worth noting that religion does not play the expected role, of “fairness and honesty” and does not appear to succeed in combating the corruption. Attendance and presence of faith, only decreases for the most countries, when economy grows, which in turn lowers the “needs” for corruption. As such, corruption and faith appear to go hand in hand, and can be only overtaken by better economic outcomes.

Now, purposely, I did not extrapolate about Ethics, what can be legal, yet reprehensible, nor did I elaborate on “Culture” as a factor for/against corruption. It is my personal opinion that even though some cultures may favor rituals (exchanges of gifts and items of appreciations being some of them), what can be called on the one side as “petty corruption” should be considered on the other side as “cultural appreciations” in the ways business can, and has, to be conducted. Business being the result of encounters, suppliers and customers have to meet a common ground and values. I am indeed of the opinion that the strongest tools to fight corruption is called economic growth and as such can be attained through better interpersonal, cross-cultural, relationships, and thereto businesses.

Finally, three interesting “topics” crossed my research for this assignment, which leaves further work and research to be done on the topic of “corruption”. These were the role and impact of “Public-Private Partnership<sup>23</sup>” (Cobarzan & Hamlin, 2005) in the “spreading” of corruption, the debate about “Globalization<sup>24</sup> versus Corruption” (Glynn et al, 1997) and “the existence of a positive growth maximizing level of corruption” (Méndez, 2005). On the first two topics, no consensus yet had been found, literature abounding to defend positive and negative effects of PPP or Globalization, while the sole fact that corruption may have a positive role in economic growth (and the ending of corruption) may strike some further investigation, as indeed corruption may lead to higher efficiency in places where bureaucracy is endemic.

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<sup>23</sup> Public-Private Partnership – Noun: “Broadly, PPP refers to arrangements between the public and private sectors whereby part of the services or works that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services”.

<http://ppp.worldbank.org/public-private-partnership/>

<sup>24</sup> Globalization – noun: “the process by which businesses or other organizations develop international influence or start operating on an international scale”.



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