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The Strange (Re)Discovery of Corruption

In Italy it all began with a woman scorned. Mario Chiesa and the Italian political establishment were surprised to learn that the failure to pay a few million lira alimony to an estranged wife could destroy a political system. It was bad for the wife, Lara Sala, that her husband had taken up with another woman twenty years younger. But what broke her was her husband's stinginess. She complained to the authorities that he had not been making the payments she considered appropriate for a man of his standing. His salary as the head of an old people's home in Milan was modest. But she told the authorities that she knew that her husband, a functionary of the Italian socialist party, had some other income. Lara Sala asked the authorities for justice. She was right to ask that income from corruption should count in determining proper alimony payments.

It all continued with a businessman who decided to speak. Luca Magni had gone to authorities to complain that he had been asked to pay Mario Chiesa in order to win a cleaning contract for the old people's home.

Chiesa's arrest for a bribe of 7 million lire (around 5,000 dollars) was the opening act of what would be known as "Operation Clean Hands". The final act is well known – the collapse of the old republic, more than 3500 investigations of political and business leaders, court verdicts, suicides, and the total re-shaping of the party system. In the days of "Operation Clean Hands", the prison in Milan looked like "La Scala" on opening night; the upper crust of society was there.

"Operation Clean Hands" was not about a discovery that Italy was corrupt. For decades, Italy was the paradigmatic case of "corrupt democracy". What the public discovered in 1992 was the size and the institutional form taken by corruption. Money paid for bribes in the late 1980s and early 1990s was estimated at more than 10 billion dollars per year. It appeared that it was almost impossible to have a public contract without paying "the party tax". Corruption was not a distortion of the system, but a system in itself, with its own rules and enforcement.

What shocked the public most was the discovery that it was politics that corrupts business. It was not big business willingly giving money to big politicians, it was politicians willingly extracting money from business. The scale of corruption was so impressive and Communism looked so dead that public silence was violently broken. The anti-corruption revolution in Italy was not only about judges making their verdicts, but also about people publicly telling their stories.

For years, corruption was one discourse that always demanded stories. Numbers alone did not excite the imagination. Most people sensed that there was no such thing as objective social science about corruption. Corruption was one science where every victim considered himself an expert. This was why corruption demanded narratives. It required the storyteller, who was ironically juxtaposed with the policymakers breathing reform. Corruption discourse was about juicy details, names, places, and conspiratorial fantasies. Corruption was seen as sleazy, ambiguous and impossible to be put into meaningful mathematical models. Corruption, like cooking or gardening, was recognized as a subject in the kingdom of local knowledge. People were usually skeptical about the chances of fighting corruption. Anti-corruption campaigns have always begun with enthusiasm and ended in cynicism.

None of that is true any more. Corruption, now, is a discourse that does not demand anecdotes. Corruption – a realm of anthropologists, sociologists and political scientists – was conquered by economists. A global, World Bank-led anti-corruption campaign is under way, and almost nobody dares to be skeptical about it.

How did all this become possible?

This is the question my lecture tries to answer. It is a lecture on what Shalini Randeria once called the "Washington consensus on corruption".

The lecture focuses on the interrelations between the leading global discourses on corruption – the economists' discourse, the discourse of the IMF and World Bank, the discourse of leading multi-national companies and the discourse of Transparency International as the leading global NGO involved in the anti-corruption business. In telling the story how corruption was constructed as a global policy issue and how the global policy response to corruption was designed, my lecture will take the form of three small stories that will meet in the end.

The first story is the story why corruption became a global concern.

The second story is the story why corruption became the concern of the institutions of the Washington consensus.

The third story is the story how the new science on corruption was discovered.

My conclusion desperately tries to bring the stories together.

Why Corruption Became a Global Concern

The last decade of the 20th century was remarkable for the global explosion in interest in corruption. In the years 1982–87, the word corruption appeared on average 229 times a year on the pages of the *Economist* and the *Financial Times*. In the period 1989–92, corruption appeared on aver-

age 502 times a year. In 1993, the word corruption was mentioned 1076 times in the two most respected European publications on politics and finance. In 1994, corruption was mentioned 1099 times; in 1995, 1246 times.

At Amazon.com, the word "corruption" brings 1529 titles while the fancy word "globalization" brings only 581.

In the last five years, the name of Russia's Grand Duke of Corruption, Boris Berzovsky, was mentioned two times more often on the pages of the *Economist* than the name of the World Bank's President, James Wolfensohn.

But the popularity of corruption is not limited to books. The IMF and the World Bank included transparency clauses in their loan agreements. The OECD adopted an anti-bribery act. In 1997, the IMF suspended a 227 million dollars loan to Kenya because of bad governance concerns. The 1997 World Bank and IMF annual meeting had a special focus on corruption. Billions of dollars were spent in the last five years on anti-corruption projects. Corruption hit the top of the political agenda in countries as different as Russia, China, the US, Germany, Mexico, and Nigeria.

What has happened? Do we have more corruption today? Do we have a more harmful corruption? Why has the globalized world become less tolerant of it than our pre-globalized world was?

The answer has something to do with the end of the Cold War. The end of the Cold War simply put an end to the period of political hypocrisy. There was no reason any more for Western democracies to support corrupt dictators. When the Soviet threat was removed, corruption ceased to be a security issue.

The end of the Cold War was also the end of the great ideological confrontation in the developed and developing countries. Explaining the success of "Operation Clean Hands" in Italy, Romano Prodi used only one word – "Yalta". The end of Yalta convinced Italian businesses that paying the "party tax" was not legitimate any more.

The end of communism challenged the very legitimacy of democracy. Deprived of the great ideological narratives and after mourning at the funeral of the best enemy they ever had, citizens in the Western democracies focused their attention on the integrity and personality of people in politics. The "Americanization" of European politics replaced the old economy of "selling policies" with the new economy of "selling leaders". The moral values and personal integrity of the politicians captured the imagination of the publics.

In Eastern Europe, the end of the Cold War made corruption the new game in town. The old system of exchanges of favors that was endemic in the communist period was replaced by less sophisticated bribery. Eastern

Europe made a transition from being a "do me a favor society" into a "give me a bribe society".

The eruption of social inequality that took place in post-communist countries was difficult to explain in terms of entrepreneurship and hard work. The emergence of new rich and new poor and the unexplained circumstances of success and failure made people believe that corruption was the only credible explanation. Large-scale privatization was the other critical factor increasing the incentives for corrupt behavior. Imagining the scale of the redistribution of wealth taking place in the former Soviet block suffices to understand Eastern Europe's fixation on corruption. Just one footnote to the unwritten history of post-communist corruption: the spread of corrupt activities led to the invention of new measurement units in the sphere of post-communist finance. When your Russian partner offers you a diplomatic briefcase as payment for your expert advice, do not hesitate to accept and do not blame him for being vague. A diplomatic briefcase is not a metaphor, it is a unit of measurement. One briefcase contains exactly 500,000 dollars, all of them in banknotes of 100 dollars.

The new global information environment and the popularity of investigative journalism is the other factor contributing to the new visibility of corruption. Today, just by a click of the mouse, people can learn about the Kohl affair in Germany, the Kremlin credit card scandal, and the scandal with the Bank of New York, and they can even find the information that the former Bulgarian interior minister has accused his own government of corruption. Corruption sells well, because a bribe is "as intimate as a seduction and as coercive as a rape". Publishing corruption stories pays as nicely as investing in Internet stock and the risk is lower.

The spread of democracy is also part of the explanation why corruption became so debated. Democracies are not by definition more transparent than non-democratic regimes, but in democratic countries governments are subject to ballot boxes and even risk not being re-elected. The electoral competition increases the probability that acts of corruption will come to the surface. The fact that more countries are going to the polls made corruption more visible and important on a global scale.

The new mobility and the new global market also contributed to corruption's visibility. In the words of Vito Tanzi, "globalization has brought individuals from countries with little corruption into frequent contact with those from countries where corruption is endemic. These contacts have increased the international attention paid to corruption, especially when some companies believed that they were cut out of some contracts because the winning company had paid a bribe." (Tanzi 1998)

The rise of the civil society and the public awareness campaigns arranged by NGOs mobilized significant anti-corruption sentiments. Civic

lobbyism is partially responsible for making corruption a problem not only of the corrupted countries but also a problem for countries and foreign companies corrupting them. It was civil activists that focused attention on the fact that corruption money earned in the East is kept in the banks of the West.

The Interpol report that, for the year 1999 alone, the estimated profit from organized crime was between 400 billion and 650 billion dollars made governments and societies believe that corruption matters. In the language of political science, corruption and organized crime are structurally connected. Corruption weakens the state, preventing it from being an effective third party. The failure of the state to enforce rules creates a vacuum that is filled by organized crime. When the government and the judicial system are so corrupted that they can not help you have a contract enforced, the only available enforcer is the mafia. And in many countries, it is no longer possible to say where government leaves off and the mafia begins.

All these factors and many others can explain corruption's new visibility. Everyday experience in many parts of the world explains why both ministers and the unemployed are obsessed with corruption. It illustrates the urgency with which corruption has become a global concern. But all these factors are still insufficient to explain how corruption was turned into a global policies issue and why it was addressed by the World Bank and the IMF as a primarily economic issue.

The dozens of corruption scandals that erupted in the last decade are not very different from the waves of scandals in the past. It is enough to recall the corrupt 1970s, with Watergate and the famous Lockheed scandal, when it was proved that Lockheed had paid 25 million dollars in bribes to various members of the Japanese establishment, including the former prime minister. It is enough to recall the Flick affair in Germany and the series of scandals that were revealed in Latin America. In all the Cold War years, corruption was a major issue in developing countries, and the media investigated the holy triangle of diamonds/oil-African dictators-Western elite.

But although corruption was a major concern, it was a non-issue in the field of international politics. Why is it an issue now? Has corruption increased or has the world changed?

Maybe both, but what mainly interests me is to see corruption's rise to importance as one of the ways to reflect on globalization and the problem of global governance, skipping the usual descriptive approach expressed in numerous references to the new communication technologies and the free flow of capital.

In his "Great Transformation", Karl Polany makes an argument that governments' discovery of unemployment was an introduction to the failure of the "first globalization". Can the present corruption debate give us a hint about the chance for the new globalization to survive?

Why Corruption was Discovered as a Global Issue

The official story how the World Bank, the IMF and the OECD discovered corruption reads like a civil society manifesto. In the official version, the new global response to corruption came as a result of the OECD governments' estimation of the new risk associated with corruption, but also as a response to the pressure coming from democratic publics. It was the newly emerging global civil society pushing for global anti-corruption policy.

According to this story, in the beginning was Transparency International (TI). It was founded in 1993 by a group of former World Bank executives. Loosely modeled on the concept of Amnesty International, TI dedicated itself to fighting corruption and promoting transparency around the world. In a few years, TI made a difference. It was pressure coming from TI that led international organizations to realize that corruption is a global problem that can not be exclusively located in the Third World and Eastern Europe. The manner in which OECD countries treated corruption outside their borders was now made responsible for the present "corruption epidemic". It was this dissident message coming from TI that provoked the applause of civic activists around the world. Many leftists perceived anti-corruption rhetoric as an opportunity to attack both their governments and the West. In the writings of human rights activists in Eastern Europe, the significance of the current fight against corruption was declared comparable with the significance of the fight for human rights in the 1970s.

The civil society version of the present outburst of honesty is a persuasive one, but reading the archives of the current anti-corruption revolution suggests some other answers to how corruption became a global issue.

According to this alternative story, the beginning was not TI but the US State Department. In the words of Patrick Glynn, Stephen Korbin and Moises Naim, "a major shift in American policy on the bribery question came after the trade-minded Clinton administration assumed office in 1993. Departing from their predecessors' back-burner approach, Secretary of State Warren Christopher and Assistant Secretary of State for Economic and Business Affairs Daniel Tarullo decided to make the OECD bribery negotiation a State Department priority. Both reflected the wish, long dominant in the American business community, for a level playing field". (Elliot 1997) The obsession of the American business community

with corruption has its history in the 1970s. The post-Watergate spirit of "soul searching" and the shock of the Lockheed scandal pushed American legislators to introduce in 1977 the Foreign Corruption Practices Act, amended in 1988, that criminalized the bribery of foreign officials by American citizens and companies. Starting in the 1970s, the American business community complained that the US' tougher position on corruption significantly affects the trade opportunities of American companies working in the bribe-expecting environments of the Third World. A 1996 Commerce Department report estimated (with the assistance of the US intelligence agencies) that American firms lost 11 billion dollars worth of business to competitors that paid bribes in the years 1994 and 1995. The *Economist* quotes another governmental study that claimed that, in 1994 and 1995, American firms lost some 100 deals worth 45 billion dollars to less principled rivals. The underlying analyses remained classified, so it is difficult to know how the loss was estimated, but based on such figures, the US started its campaign to press the other OECD countries to criminalize the payment of bribes to foreign officials and to change the rules that made bribes tax deductible in countries like Germany and France. A major factor in US policy in the area of bribe negotiations was public pressure on European governments. "The embarrassment factor in these negotiations was very high", confessed one of the European negotiators.

The trade version of the discovery of corruption shows that, as a global policy issue, the discovery of corruption can not be traced exclusively to the fashionable "pressure from below"; it was much more a combination of pressure from below and pressure from above in which both sides used and misused each other in the global anti-corruption dance.

And there were at least two other global players who had good and very specific reasons to change their attitude with respect to corruption: multi-national companies and Breton Woods institutions.

In the traditional perception of corruption, the "conversion" of multi-national companies from sources of corruption into fighters against corruption is a dramatic change. To illustrate the extent to which foreign capital was once seen as a source of corruption, we have only to point out that in the Bulgarian language, all French, German, and English words for doing business – *Geschäft*, for example – have the connotation of performing a corrupt act.

In the 1960s and 1970s, foreign investors considered corruption a useful vehicle for opening up and modernizing the economies of developing countries. Corruption was an instrument to break the official protectionist barriers that were imposed by the governments of the post-colonial states.

In the new world of global finance and free trade, protectionism is an unaffordable luxury for most governments. In the transition economies of

Central and Eastern Europe, protectionism is simply unthinkable. Their dependency on IMF loans and their competition for foreign direct investments has led them to open their economies and to adopt non-protectionist legislation. This new open environment is the major reason for the multinationals' change of mind about corruption. What companies like Shell and Lockheed have discovered is that corruption has turned into a hidden form of protectionism.

Compared with the normal markets for goods and services, corrupt markets are characterized by the very high value of local knowledge. To corrupt public officials and win the contract, one cannot simply rely on offering the biggest bribe in the biggest brown paper bag. The market in corruption services is a clandestine, closed market. To be competitive on this market, one has to know whether to give a bribe, whom to give the bribe to, and how to give the bribe. Local businesses are much better positioned in the corruption market because they are plugged into existing networks and because they posses local knowledge. In other words, a corrupted business environment is much more favorable to local businesses than to foreign investors. The great corruption scandals in Eastern Europe in recent years are not scandals of multi-nationals winning contracts, they are scandals of multi-nationals losing contracts or seeing their property rights undermined. The bitter story of the BP-Amoco adventure in Russia shows that only insiders survive in the oil fields of Siberia.

In a private conversation, one senior British diplomat complained to me that Western investors are simply not allowed to enter the corrupt market. "They simply do not want us," said the diplomat, "they do not want our investments, they do not even want our bribes."

The discovery that corruption is a hidden form of protectionism is the main reason multi-nationals joined the anti-corruption movement and pressed for effective curbing of corruption. It does not mean that multinationals are not corrupting any more, it simply means that now they prefer the normal markets.

But it was not only US companies and multi-nationals that discovered that corruption is bad; the World Bank and (by association) the IMF also discovered that corruption is a problem they can solve.

We tend to forget that both the World Bank and the IMF were Cold War institutions and that their missions were shaped in the context of global confrontation between the free world and communism. The World Bank played an important role in preventing communism from gaining ground in the poor third world countries. In playing its assisting but also containing role, the World Bank was particularly cautious about the sensitivities of its third-world clients. For the entire Cold War period the word "corruption" was simply absent from the vocabulary of the IMF and the World

Bank. "When I came to the World Bank," wrote James Wolfensohn, "I was told that there was one word I could not use, which was the 'C' word, the 'C' word being 'corruption'. Corruption, you see, was identified with politics, and if I got into that, I would have a terrible time with my Board." (Remarks at the Global Forum on Fighting Corruption).

But starting in 1996, the World Bank and the IMF were no longer in a position to ignore corruption. Four reasons led the World Bank and the IMF to face corruption. The first reason was the pressure for more transparency and accountability with respect to World Bank and IMF programs. The second reason was that the US government wanted the word to be mentioned. The third was the tensions and competition between the IMF and the World Bank; and the final reason was the escalating criticism of the Washington consensus, especially with respect to IMF and World Bank policies in Russia, and pressure from influential conservative circles in the US to close the World Bank or at least to minimize its role. (Naim, Moises 2000)

When it was created at the end of the Second World War, the International Bank for Reconstruction and Development (World Bank) had a clear purpose: to help finance the rebuilding of war-ravaged Europe. In the 1950s, that job accomplished, it became the main vehicle through which governments in Europe and North America dispersed capital to poorer nations. In the 1980s, as the free market came into fashion, the bank became a fount of economic advice. But today things have changed. "If the World Bank did not exist," wrote the *Economist* in 1997, "the 180 governments which own it would not bother to create it."

But the Bank did exist, with 10,100 employees, more than 183 billion in loans outstanding in 1997, and an imposing new office complex in Washington, DC.

The fight against corruption became part of the World Bank's and to a lesser extent of the IMF's new strategy to prove their usefulness in the post-Cold War world.

For the Bank, the agenda of good governance and transparency made three distinct gains. First, it put in one package the management re-structuring of the institution undertaken by the new president James Wolfensohn and the new stress on institution-building and knowledge; second, it improved the image of the Bank; and third, it allowed the Bank to distinguish itself from the orthodox policies of the IMF.

In its 1997 Report, the Bank rediscovered the state and reformulated its position on the relations between the state and the market. The conclusion of the Bank was that a functioning market is impossible in the absence of a functioning state and that institution-building should take priority in the process of transition.

Policy failures were blamed, not on wrong policies, but on wrong priorities. In the vocabulary of the Washington consensus, the weak institutional environment was responsible for the failure of the initial reform package in places like Russia. Corruption served the role of a general explanation for a variety of policy failures in different environments. What was constituted as common among the different cases of failure was the existence of endemic corruption. Prior to becoming a buzz word in the proposals, "corruption" was already a buzz word in the reports. But to address corruption, the World Bank needed to depoliticize it. "I visited a number of countries," recalled Wolfensohn, "and I decided that I would redefine the 'C' word not as a political issue but as something social and economic." The redefinition took place in 1996. Corruption was not about politics any more.

The success of the second-generation reforms was declared to be conditional on the successful elimination of hyper-corruption. A need was seen for a comprehensive global anti-corruption initiative. But was it possible to shape successful anti-corruption policies divorcing corruption from its context? Was an objective social science about corruption possible?

How the New Science of Corruption Was Born

This most intriguing story in my lecture is not about the American pressure on OECD negotiations on bribery, nor about the World Bank's survival strategies and its institutional interest in turning corruption into an economic issue. It is not a story about the role of the global NGOs. It is a story about social sciences.

The invention of corruption as a global policy issue that can be solved with a "one size fits all" policy would be inconceivable without the radical discovery that corruption is measurable. It was the radical transformation of the social sciences' discourse on corruption that made the current global anti-corruption campaign possible.

Corruption was traditionally a strange issue for the social sciences. It is almost absent from theoretical discourse at the end of the 19th and the beginning of the 20th century. "Corruption" is absent from the indexes of the collected volumes of Marx and Mill. For 19th-century corruption was something to live with, something to gossip about, and something to complain about, but not something to reflect upon. "Corruption" could be found in newspapers and pamphlets, but not in scholars' works.

The perception of corruption as a mainly moral issue kept it out of the interest of social researchers. In his book *Corruption. Ethics and Power in Florence in 1600–1770* (Cambridge, 1991), Jean-Claude Waquet shows

that, in the studied period, discourse on corruption is not a discourse on government but a discourse on human nature. This is the reason why corruption was reported but not reflected in political literature. The conviction of moderns that corrupted individuals corrupt institutions made corruption marginal to the debate on institutions.

In recent times, the uneasiness of social sciences about corruption is related to the problem of finding a definition that is universal enough to include all acts of corruption in various cultures and historical times, and at the same time, one that will turn the debate on corruption into something more than a series of case studies.

Three basic approaches compete to define political corruption. The first defines it as an abuse of public office for private gain. The second defines corruption with respect to public interest and public opinion. And the third is a market-centered definition, in which corruption is defined as market-type behavior outside the realm of the market. All these definitions have their strong and weak points. And they all define in different ways what we study when we study corruption (Heywood 1997). The definition debate is constantly confronted with questions like whether we can confine our research on corruption to the acts of misuse of public office that are criminalized by law or if we should also include acts of corruption that are not yet illegal. How should we treat the situation in which existing colonial legislation perceives certain acts as corrupt but public opinion does not perceive them as corrupt? And if we adopt public interest- or public opinion-centered definitions of corruption, how should we define the public interest and whose opinion is public opinion? Should we confine corruption to its monetary forms, or should we also include non-monetary forms of bribery? How should private gain be defined in the context of corruption research? All these discussions are familiar to scholars of corruption.

But the major problem about corruption never really was how to agree on a working definition. The problem was not a definition. The problem was the data, because corruption is a crime, but one nobody wants to report. The cases of corruption ending in court are insignificant in comparison with the number of corrupt transactions taking place. And proven cases of corruption are ridiculously rare. Reliance on public opinion can also be misleading. Anti-corruption rhetoric is often used for political purposes, and the public's conviction that its or its neighbor's society is corrupted says more about the prevalence of anti-corruption rhetoric than about the actual state of affairs.

The problem of data is also the problem of legitimacy in measuring corruption. What do we claim when we say that corruption has increased in a certain country? Do we claim that there are more corrupt transactions

per person, or that more people are involved in acts of corruption, or that public opinion perceives the country as more corrupt? Do we claim that corruption has reached the highest level of power?

The other difficulty with corruption is defining its functions in the society. The present consensus that corruption hurts development is a new phenomenon. In the 1960s and 1970s, corruption was an excessively debated issue with respect to the Third World, but there was no consensus on its effects on development. The economic miracle in Asia did not support a hard stand on corruption. Southeast Asian tigers did well, despite the fact that they were perceived as corrupt. The other reason making scholars and policy-makers cautious in condemning corruption was political. In the Cold War period, corruption was viewed by many as a democratic disease, so many military coups and communist takeovers in various parts of the world were legitimized with anti-corruption rhetoric. "Graft is a factor in the Cold War," wrote the *Economist* in 1957.

In the 1960s and 1970s, there were two principal schools of assessing the role of corruption in developing countries. In the view of people like Huntington, corruption could have positive effects. It reduced violence and was a form of adjustment to modernization; it was anti-revolutionary. "He who corrupts a system's police officer," claimed Huntington, "is more likely to identify with the system than he who storms the system's police station." (Huntington 1968)

Corruption apologists adopted Robert Merton's functionalist analysis of the political machines in the US, which shows that corruption can not be analyzed outside the concrete context in which it appears and that, in many cases, corruption promotes the development of society.

In his book *Comparative Political Corruption,* James Scott demonstrated several hidden functions of corruption in the context of post-colonial modernization. For example, corruption was the only channel for the Chinese minority in Malaysia to have access to political decision-making. In the case of the Soviet Union, "blat" (non-monetary exchanges of favors) was perceived as a way the population adapted to the economy of shortages. In late 1964, Nathaniel Leff of Columbia University argued that "corruption may introduce an element of competition into what is an otherwise comfortably monopolistic industry … and a tendency towards efficiency can be introduced into the system." (Leff 1964) Bribery was also rationalized as a time-saving mechanism for transactions in a highly bureaucratic environment.

The moralizing school in the corruption debate was not ready to accept the progressive role of bribery in the developing countries and pointed to the lasting effect of corruption on the functioning of the national administration and its negative effect on civic culture. But common to apologists

and moralizers was the understanding that corruption is a context-sensitive issue and that the analysis of corruption should be contextual. It was a heresy in the 1960s and 1970s to believe that a global anti-corruption policy package could be designed and that it could be offered to Nigeria, Russia, Mexico and China at the same time.

In the context of this old debate, the current anti-corruption paradigm is distinctively new. The de-contextualization of anti-corruption knowledge started by turning corruption from a political into an economic problem. Three major "discoveries" followed. First, the discovery that corruption is an institutional problem. Second, the discovery that "old corruption knowledge" is policy-irrelevant. And finally, the great discovery that corruption could be quantified.

The story of these three great discoveries is the story how the economic discourse marginalized all other discourses in debating corruption. The major turn in understanding corruption was the assumption that the corrupt act is a rational behavior that takes place under certain incentives. Altering incentives was declared enough to reduce endemic corruption behavior.

In the 17th century, people tended to believe that corrupt people corrupt the institutions. Recent years demonstrated not simply that institutions corrupt people, but also insisted that the problem of corruption is the problem of policy choices. People are corrupted because they implement policies that sustain corruption. "The growth of corruption," writes Vito Tanzi, "is the long-term effect of the growth of the role of the government in economy. I would hypothesize," he continues, "that the impact that high taxes, a high level of spending, and new regulations have on acts of corruption is not immediate but rather a function of time." (Tanzi 1998) Tanzi's hypothesis is at the heart of the new understanding of corruption. Corruption was constructed as a long-term effect of the function of the interventionist state. Lord Acton's famous saying that power corrupts and absolute power corrupts absolutely was replaced by the vision that government corrupts and big government corrupts absolutely, but in the long run. Corruption was translated into the language of the Washington consensus. Big government was singled out as the major source of corruption and the foundations for new global anti-corruption policies were laid down. In its economic formulation, corruption is de-contextualized and normative. Economists started with the assumption that big government corrupts, so the next logical step was to suggest that the only successful anti-corruption campaign would be the withdrawal of government from the economy.

This de-contextualization of the understanding of corruption became possible because non-economists failed to argue the risk of global anti-

corruption policy. The failure of the anthropologists, the sociologists and the political scientists to challenge the economists' monopoly over the corruption debate has to do with the discovery of the political incorrectness of the cultural arguments about corruption. In the development debate in the 1960s, many anthropologists and political scientists focused their attention on case studies of corruption, illustrating the fact that different political and cultural regimes are characterized by different forms of corruption. Differentiation was the basic methodology in studying corruption. The old discourse on corruption argued that different political regimes create conditions for different types of corruption and that there is no direct connection between the spread of petty corruption and the rise of political corruption. The old discourse looked for explanations. It was a corruption, not an anti-corruption discourse.

In arguing that Western norms for corrupt behavior are not applicable to non-Western societies, most anthropologists and political scientists perceived their position as a defense of non-Western societies against the accusations of being overly corrupt. In the 1980s, the same arguments for cultural distinctiveness started to be read as a pretext for treating these societies as inferior with respect to development and economic growth. Anthropologist found their position severely attacked by their beloved natives.

The Washington consensus that was the flavor of the 1980s marked the end of the split between development economics and mainstream economic theory. It was accepted that the way in which nations became prosperous is not different in different parts of the world. Further, it was discovered that prosperity could be achieved simply by adopting the right policies and sticking to them.

In 1755, Adam Smith famously remarked that, "Little else is a requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and tolerable administration of justice." Jeffrey Sachs referred to Smith in his 1996 article on the prospects of economic growth in Africa. Sachs was an optimist about African growth. There was little peace and little tolerable administration of justice in Africa, but there was readiness to go for easy taxes.

This radical turn in understanding development reformulated the major findings of the old corruption studies. It was a commonplace in the 1960s that poorer countries tend to be more corrupt. In the 1990s, the common sense was that it is not that poor countries are more corrupt, but that corrupt countries are poor.

The new anti-corruption science claimed that corruption has nothing to do with cultures, but is characteristic of institutional environments and characteristic of certain policies.

But all this new knowledge about corruption was normative in its nature and very difficult to verify, because corruption was not measurable. Turning corruption into a de-politicized economic issue requires new study tools.

The new aspect of constructing corruption as a global issue was the discovery that corruption can be measured.

Like all great discoveries, the discovery that corruption can be measured was the child of luck, interest and accident. In its willingness to influence the public and to mobilize support for global anti-corruption measures, TI decided to rank countries according to the way their level of corruption is perceived by the senior executives of multi-national companies. In 1994, TI produced its first corruption perception index. Interviewing senior and experienced executives of multi-national companies and balancing their answers with information coming from other sources, TI drew up a table ranking 53 countries in the world. The impact of the corruption index was shattering. All major newspapers around the world published and commented on it. Opposition parties started to refer to it. Governments began attacking it. But the most important effect was the public conviction that it was possible to compare the corruption of different countries and to monitor the rise of corruption in a single country.

I did not invent the estimation of corruption on a national level; Political Risk Services has been making its estimates of the degree of corruption in different countries. It has offered its estimates to business clients, but these estimates were never presented as "measuring corruption". Political Risk Services kept its estimates private and never made a scientific claim about its ranking. The company knew that its corruption estimates were based on impressionistic evidence.

Publicizing their corruption perception index, TI also did not declare that it had succeeded in measuring actual corruption. The expert part of the group underlined that this was a perception index, and over the years they worked constantly on their methodology. But the thing was done. The ranking was in the newspapers. The next stage was easy. When the ranking was produced, econometrists started to work on this ranking or the Political Risk Services ranking, producing cross-country regress analyses. The findings were: corruption hurts economic growth; it reduces the level of foreign investments, that is, if two countries have otherwise equal conditions, foreign direct investments will go to the less corrupt one. Corruption hurts mostly poor people, it distorts the logic of public investment, governments favor projects with higher corruption potential, and so on.

The study of corruption was no longer about anecdotes and contextually sensitive analysis, but was portrayed as similar to the study of inflation. The causes of corruption were reduced to the effect of the govern-

ments' role in politics. The TI index, designed as a PR instrument, was manipulatively turned into hard data and the basis for designing new anti-corruption policies. Economists managed to solve the basic problem of lack of data and, based on the legitimacy enjoyed by any quantative type of analysis, radically marginalized non-economic discourses on corruption. Recently, several researchers, including World Bank in-house researchers (Daniel Kaufman, www.worldbank.org/wbi/gac), have criticized the methodology of Transparency International and tried to put limits on the speculations based on the quantitative analysis of corruption, but this clarification can not change the fact that the discovery of the measurement of corruption radically changed the discourse on it. The latest publications on the issue are full of statistical correlations.

It was this major change in studying corruption that legitimized and made possible the new global anti-corruption package.

Conclusions

Reflection on the construction of corruption as a global issue and on the formulation of the global response to corruption provides an opportunity to look at the work of the new global governance. The rhetoric of anti-corruption, or more precisely the rhetoric of transparency, became the meeting point between the aspirations of the publics for more democracy and political accountability and the aspirations of the market for more openness and less government in the economy. This global anti-corruption coalition came into being as a result of a major transformation in the international political and economic environment that took place after the end of the Cold War. The new visibility of corruption made it a global concern. But it was the pressure of the US government in protecting its trade interests, the search of the World Bank for a new mission and new legitimacy and the pressure from NGOs for more voice and visibility that made corruption a global policy issue. The global anti-corruption coalition was shaped as a discourse, a coalition of actors sharing a definite social construct of what corruption is about and how to challenge it. This discourse coalition came into being as a result of a radical change in the theoretical discourse on corruption. It was "discovered" that corruption is measurable, and corruption was constructed as a result of the long-term effect of the interventionist state. The old "science" of corruption was replaced by the new anti-corruption science. The non-economic discourses on corruption were judged policy-irrelevant. They simply explained corruption in a time when there was a need to defeat it. Corruption was constituted as an economic and not a political problem, a problem that can be studied in the way that economists study inflation.

The global anti-corruption response prepared by the World Bank contains three major elements: the package of economic policies, the package of policies directed at the reform of civil administration and institution-building in general and, as a third component, a collection of "spiritual practices" in the fashion of early Calvinism, for example the request that before entering a bid, firms should make anti-bribe pledges.

Are there package going to be successful? Probably not. The economic policies are just recycled versions of the Washington consensus: privatization, deregulation, competitiveness, openness …: It is difficult to implement an institutional-building package in a policy environment dominated by a growing number of weak states. The Protestant flavor added is simply a matter of bad taste. The stress on auditing as the major form of accountability additionally risks disturbing the work of the inefficient national administrations. Last year, for example, Tanzania, was obliged to produce about 1200 reports for its Western donors.

The basic problem with the new global anti-corruption campaign is that it is based on policy-irrelevant knowledge. The hundreds of pages of statistical correlations between corruption and all other measurable things ignores the basic facts that the effect of corruption can not be calculated outside the local context and that corruption can not be measured.

Corruption is basically a political issue. It goes to the very heart of the definition of the "political". National anti-corruption campaigns and the debate that they provoke are forms of re-defining and re-negotiating the borders between public and private. The success of the "Clean Hands" in Italy can not be understood outside this constituting role played by the anti-corruption discourse in re-defining politics and public interest in general. The changes in Italy started with a woman scorned, but they ended with the redefinition of the role of politics and political parties in public life. In the current global anti-corruption debate, this societal dimension of the old anti-corruption reforms is missing. World Bank economists and civil society activists commit themselves to the current war against corruption, failing to recognize that they are hunting for different animals. But maybe this is the way the global governance works?

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