

Anti-Corruption

UNDERSTANDING CORRUPTION



Present-day mass political discourse focuses on corruption as the origin of the country's problems. The middle class as well as most religious organizations often read corruption and speak about it as a problem arising either out of the weakness or the wickedness of individuals. As popularly conceptualized this kind of discourse around corruption contributes to a narrative that also says that unseating corrupt individuals is THE solution that the country needs to move forward.

Because the economic, political, historical and institutional sources of corruption are thus made invisible, the present discourse can inadvertently become a means for the preservation of the status quo.

There is thus a conservative reading of corruption that needs to be challenged. But there is also a neo-conservative take on corruption.

In an apparent attempt to put the harness around this popular discourse to move its own economic agenda forward, the World Bank has also recently focused on the corruption theme. In the hands of the World Bank spin masters, corruption conceived popularly as driven by individual self-seeking, especially within government, becomes an additional reason for arguing that bureaucrats should not be running enterprises, that trade and investments should be unhampered by rules, and that prices and markets rather than political decision-making should decide who gets what when and where. For corruption to be stopped the World Bank argues that the scope for government action and the size of the public sector needs to be diminished even further.

Rep. Etta Rosales always says Akbayan first achieved national prominence when we publicly refused the bribes being doled out for legislators who would support the hand over of the Philippine electricity sector to corporate interests. This was in 2001.

We need to recover and re-articulate the radical edge of the corruption discourse so that it is not used to reproduce the status quo, and so that it does not fall into the hands of the World Bank and be used as a spear point of the neo-liberal project. We need to reclaim the discursive edge that we had before and use the party's own take on the phenomenon of widespread and worsening corruption as a means for mobilizing constituents for radical change.

One may acknowledge as a matter of logic that many forms of corruption were reduced when certain types of government transactions were abolished in the post-Aquino period. Such transactions that agencies like the World Bank laboured hard to abolish included the following: directed credit, foreign exchange rationing, discretionary subsidies, etc. There is, however, ample evidence today that will also show that corruption has merely taken on other forms, especially in the novel transactions involving private companies that have been recruited in place of state enterprises, and in the under-regulated new markets that are being created by fiat.

The World Bank's push on the issue of corruption is seen in other countries as well. The articulation is concerted – in framework papers and speeches by high officials in mid-2006. Countries will lose access to World Bank money if they are deemed to be corrupt. Changes in habits and political investments in the re-engineering of bureaucracies and of governance practices will most likely be among the prior actions that will be required of countries that would like to return to the fold.

Broadly speaking, a re-design of government political and bureaucratic practice is indeed one of the things that a country needs to go through in order to address corruption.

But the more universal, and often prior, mechanism that is known to have been effective in rooting out corruption is economic development itself – as education levels rise and as local economies and communities become more complex and less easy to regulate thru face-to-face contacts, the demand for good institutions goes up and the capacity to make them work also improves.

Development itself then would seem to be the most robust mechanism that has, in other countries, led to the establishment of venerable institutions, practices and norms that would address both corruption and enable societies to execute collective action and complex transactions among its members.

There will be times when the bar of institutional performance is pushed up from below, as it is being raised today by the opposition to the Arroyo administration and as it was also pushed up in the case of the truncated presidency of Joseph Estrada. The impetus comes from within society. To borrow a page from the World Bank under its former president James Wolfenson – development as well as reform is best secured when it is driven by demand from below rather than grafted onto a society.

To be sure, aspects of the institutional reforms that the World Bank has supported do coincide with those that are also being urgently demanded. These are reforms that would support unclogging the courts, removing bureaucratic procedures that have lost their usefulness, targeting health and social services subsidies so that more of the little that is still available will go to the poor, reforming the procurement system in the public sector, reducing the leeway for plunder through the reform of the central bank.

Many more reforms, however, are really meant to promote and support economic and social arrangements that are being transplanted from the Anglo-American realm into ours.

Intendedly or not, the majority of programs supported by institutions like the IMF, the ADB and the World Bank would result in a political economy where people lose their entitlements and where their command over goods and services, as well as their access to opportunities, is governed by the logic of the market nexus. From persons possessing citizenship rights and having claims to the common resources of their communities ordinary people become consumers, but only after they have earned their incomes as factors of production in an increasingly globalized economy. This is a political project where the system of “one vote for every person” will have less and less weight compared to the system of “one vote for every peso.”

The neoliberal project asserts complete convergence between its development paradigm and the objective of reducing corruption. In actual fact, the reduction in the size and role of the state has also led to the emergence of novel forms of corruption, including those that are now executed at a grand scale and at the summit of the country’s political system.

During the time of neoliberalism’s poster boy, Fidel Ramos, US\$50 billion in new power plants were built by private companies. As it turned out, these plants were more expensive by at least 12 percent compared to identical plants that the National Power Corporation, warts and all, could have built given its past record. This, too, has been seen in the water and toll roads sector – only worse. One may be able to point out instances elsewhere in the world where private companies have made good on their contracts to deliver public goods.

Where they have not done better than supposedly corrupt public enterprises, one may conclude that corruption has merely taken on more virulent and exotic forms. With this kind of record, the glowing expectations of the national government concerning the benefits that will flow abundantly as a result of private foreign partnerships in the mining sector is certainly something we should be scared of.

The corporate-centred, market-led project of neoliberalism reduces the scope for bureaucratic corruption in some areas, but creates new forms of corruption and rent-seeking in others. Notwithstanding the statements of intent on the part of neoliberalism's agents; i.e., that "new regulatory institutions need to be created and strengthened in these new areas," we have not seen this and we do not see it happening for the following reasons:

- » The creation of new regulatory institutions was and remains an after-thought; breaking open new economic spaces for the entry of private corporations was and continues to be the objective of entities like the World Bank and the ADB;
- » Those new regulatory systems that would prevent exotic forms of corruption are themselves exotic, foreign and overly sophisticated. As a recent ADB evaluation of the restructuring in the Philippine power sector asserted – the regulatory systems that could customize benchmarks for performance, fix the rules and establish good starting points for the entry of more players, prevent collusion, provide choice and voice for consumers, etc – all require a substrate of previous legal, technical and institutional capability that we do not have in the country. These are capabilities that took countries like the United States, Germany and others more than a century to set-up.
- » Regulatory weakness and lack of transparency can be as much of a come-on for private investors even as their press agents would say that they "would like to see more transparency, fairness and regulatory predictability in the long-run." In other words, the success of a neoliberal work plan, say in privatization, is never measured by success in setting up of the necessary regulatory institutions. That appears to be just one option. Success is measured by the entry of the private sector and by their profiting from that move. If entry and profit can be achieved through the cutting of secret deals in the presidential palace and above the heads of so-called regulators, then that is also an option that private companies have been willing to take. Researches show that it is this latter option that seems to have been largely utilized in countries Indonesia and the Philippines, but less so in Thailand, Malaysia and India.

Protests are in the streets, in media and in academic discussions, but there is no effective political demand for the establishment of these new institutions articulated in the formal institutions of representation and conflict resolution that will address corruption in these new markets created by neo-liberal fiat. The efforts at setting-up institutions that will address neoliberal style corruption is disconnected from the constituents who have to bear the consequences of poor regulation and of the novel forms of corruption and rent-seeking that have been bred. The accountability of these weak institutions does not come from within society. They are creations of external agencies and their operation is mediated through backroom horse-trading with the political elite that happens to be in place.

These are the reasons why novel forms of corruption will emerge as the neoliberal agenda marches on. Corruption prospers because the old regulatory institutions have been disabled while the new ones are half-formed and are always conveniently several steps behind.

Addressing corruption needs to be seen in two time frames:

In the long-term: as economies progress and as societies develop, the demand for better and more sophisticated institutions rises. Constituencies for better institutions form, become articulate, and gain representation, legitimacy and power. With very few exceptions, the occurrence of late-development, such as that which happened in East Asia since the 1950s, have required the growth of state structures to achieve and coordinate national collective action in the sphere of both politics and the economy: a) against external threats, b) to secure compliance with agreements, c) to accumulate the fiscal wherewithal, d) to redistribute resources across society in pursuit of legitimacy, and e) to partially compensate sectors who lose out in the process.

The enlargement of the state has historically been a requirement for development, which in turn has been the basis for the sustained creation of institutions and norms that root out corruption. The World Bank is unpersuasive because it appears to articulate the logic of the mechanism in a sequence incompatible with historical data. It would seem bent on undermining the institutions of the state that have historically allowed societies to gain coherence, to develop, and to establish institutions that would ultimately battle corruption. By saying that the state's scope and power should be diminished as a means to combating corruption, the World Bank puts the cart in front of the horse.

In the short-term: bureaucratic corruption and the complicity of officials in high places cannot be addressed through the deployment of experts who will import and transplant institutional designs into countries like the Philippines. Bureaucracies and bureaucratic corruption are subordinate to political authorities. The license to do what they do – to improve rules or to expand the scope for the discretion of corrupt officials – comes from authorities in the political sphere. This argument is all the more valid in a country like the Philippines, where the bureaucracy has none of the centuries-old tradition of bureaucratic independence and professionalism.

New regulatory institutions will only be given the resources, the power to perform their work, and the incentives to balance competing interests if those interests are adequately represented in a nation's political institutions. We don't have that yet.

Even as the situation is pregnant with possibilities for deep change, the country is in a double bind with regard to the empowerment of people through representative institutions and through the constitutional mechanisms of checks and balances.

Accountability ought to be with ordinary people through their representatives and their organizations. The political institutions inherited by the Philippines from the United States, however, have contributed to a crisis of representation and a crisis of accountability. As we all know, local parochial political elites dominate congress and there is a strong offensive in 2006 to increase the power of this elite-dominated Lower House.

Accountability also ought to be formal and horizontal – this happens when co-equal branches of government and constitutional bodies such as the Commission on Audit, the Civil Service Commission, the Judiciary and the legislature are able to function as checks on the powerful prerogatives of the executive branch. In 2005 and 2006, these mechanisms of horizontal accountability have been effectively overwhelmed by Gloria Macapagal-Arroyo.

Having a strong state as the instrument for achieving a society's resolve for progress and egalitarianism cannot be subordinate to the objective of addressing corruption. Important as it may be, the wiping out of corruption will happen as part of a longer-term process of economic and social development – notwithstanding the specific actions that can be taken in the short-term.

Coherent as it may seem to neoliberalism's own pamphleteers, the project of addressing corruption through the further reduction of the scope and power of the state has little support from the historical record, is ideological, and is ultimately self-defeating for societies that do not believe that mere insertion into the global economy is a viable development strategy.

No amount of tinkering with the design and formal powers of bureaucracies will go any distance if the understanding of corruption is not embedded in an understanding of the maladies found in the political sphere; e.g., the under-representation of the majority and the imbalance of the prerogatives of a strong presidency versus the supposedly co-equal branches of government, the constitutional bodies, and the independent organizations of ordinary people. Akbayan's political platform demonstrates how we may be able to achieve progress in the political sphere.

