Social Costs of Corruption

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Overview

- Cases
- Basic Notions
- Social Costs
  - Economic
  - Political
  - Environmental
  - Other
- Behavioral and Contextual Complications
- Solutions?
Cases

- Bug-Infested Cookies
- Motorola
- Other?
The “Where of Corruption”
2007 TI Corruption Perception Index

1 Denmark 9.4 6 9.2 - 9.6
1 Finland 9.4 6 9.2 - 9.6
1 New Zealand 9.4 6 9.2 - 9.6
1 Singapore 9.3 9 9.0 - 9.5

20 USA 7.2 8 6.5 - 7.6 21

72 Brazil 3.5 7 3.2 - 4.0
72 China 3.5 9 3.0 - 4.2
72 India 3.5 10 3.3 - 3.7
72 Mexico 3.5 7 3.3 - 3.8

177 Haiti 1.6 4 1.3 - 1.8
178 Iraq 1.5 4 1.3 - 1.7
179 Myanmar 1.4 4 1.1 - 1.7
179 Somalia 1.4 4 1.1 - 1.7
Quantification of Costs

- Notoriously Difficult
  - Hidden
  - Hard to Measure
- General Notions
  - Political
  - Economic
  - Environmental
Political Costs

- Undermines Trust in Political System
- Foreign Policy Dialogue Reduced to Political Interests Not Moral Ideals
- Frustration and Apathy Leads To Weakening of Civil Society, Which In Turn Leads to Environment for Despots
- Disruption of Elections
- Brain Drain
Economic Costs

- World Bank: $80 Billion Annually
- Inverse Relation: Corruption and FDI
- Correlation: Corruption and Low Growth
- Correlation: High Corruption and Bureaucracy
- Depletion of National Wealth
- Distorts Market Functions
Environmental Costs

- Export of Pollution & Waste
- Careless Exploitation of Natural Resources
- Big, Damaging Projects Particularly Favored by Corrupt Government
Beyond Economics

- Pressure to Perform Relates to Temptation to Bribe
- More Hierarchical The System, More Likely Bribery to Occur
- Corruption High Where Trust Among Strangers Low
- Social Norms Suffer When Corruption is High
- Perception That Corruption Rather than Merit Leads to Success
Solutions?

- Total Integrity Management Model
- Trust As Core
  - Hard Trust
  - Real Trust
  - Good Trust
Hard Trust

- Clear Legal Rules
- Governmental
  - Police Enforcement Risky: Eg. Indonesia and Hong Kong
  - Laws to Enforce and Independent Agencies to Enforce Laws
- Corporate Policies
  - Reflexive Models: FSG & SOX
Real Trust

- Avoiding the Cookie Problem
- Rewarding the Galvin Solution
- The Ellul Insight
  - “Natural Law”
  - Hawaiian Anthropology & “No Trespassing”
Good Trust

- Cultivating a Concern/Caring
- Mediating Institutions Issues
- Consequences: Corruption and Violence
- Quartile TI Resolve Disputes by Violence
  - Top Quartile 14%
  - Second Quartile 26%
  - Third Quartile 44%
  - Fourth Quartile 60%
Concluding Thoughts

- Social Costs of Corruption Include Political, Economic, and Environmental
- Social “Causes” of Corruption also Multifaceted and Make for Difficult Public Policy Balancing
- Balancing Economizing, Ecologizing, and Power-Aggrandizing