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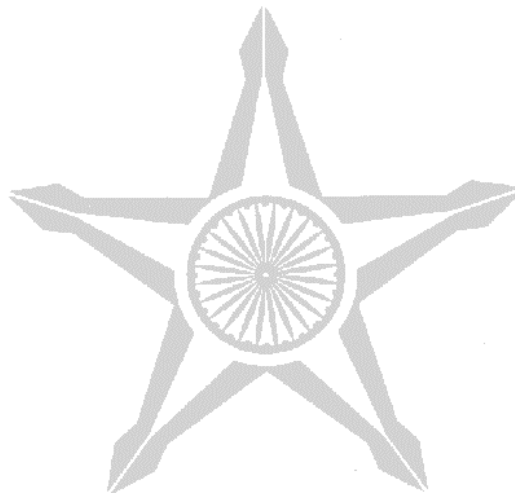
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Corruption and Citizens

by

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Corruption And Citizens

In India, one cannot talk about public service without raising the issues of corruption, lack of transparency and accountability. Without raising esoteric issues on ethics, I would like to focus attention on practical measures to combat corruption and increase transparency and accountability in all facets of public services.

Mark Twain once said, “Everyone talks about the weather, but no one does anything about it”. Corruption has become one such topic of conversation, with few in the establishment or outside really doing something to curb it. The fight against corruption is too important to be left to a few formal institutions or politicians. The people at large have enormous stakes in clean public life and corruption-free services. Experience all over the world showed that determined initiatives with public support can and will succeed in curbing corruption and cleansing the system effectively.

As many scholars like Robert Wade have pointed out, most corruption at the citizens’ level is extortionary, and people have often no choice when faced with the dilemma of having to lose much more in the form of lost money, time and opportunity, not to speak of anxiety, harassment and humiliation if they did not comply with demands for bribes. The only silver lining is, everyone, including those in positions of influence is a victim and no one seems to be exempt from these extortionary demands. We seem to have achieved the ideal of socialism through equal treatment of all citizens in terms of extortionary corruption! With the advent of economic liberalization and delicensing of most industry, the nature of corruption is now undergoing a major transformation. The one-time grand corruption on large private projects – notably in power and other infrastructure sectors – has now become quite common. An even more alarming trend is the shift of corruption from licensing and permits to more dangerous and pernicious

areas of sovereign functions of state like policing. The increasing nexus between hardened criminals, rogue policemen and corrupt politicians is one such example. It is clear that the state's gradual withdrawal from economic activity does not automatically eliminate corruption. Many more practical and institutional initiatives are needed to successfully curb corruption.

It is in this context that civil society's role is critical. Enlightened public opinion and informed and collective citizen assertion are the very basis of any successful fight against corruption.

But in order to combat corruption effectively, we need to understand its causes. Corruption is usually attributed by traditionalists to decline in values. However, there is no evidence to suggest that some societies are more moral than others. Nor is it true that people are more corrupt with each succeeding generation. The examples of many western democracies which are generally free from the scourge of corruption are cited by many as evidence of lack of character of Indians as opposed to those of other societies. But we tend to forget that the American democracy was beset with phenomenal corruption and nepotism until the end of nineteenth century. Similarly, abuse of authority, auctioning of public office and corruption were endemic in Britain until the 1860's. It is only the reforms brought about by the great Liberal statesman, Gladstone, which laid the foundations of a modern, largely corruption-free Britain.

We also see many Indians behaving in a socially undesirable manner in India, even as they behave in an exemplary manner when they are abroad. Clearly, the circumstances in which they live, the system of risks and rewards created by society and state, and the institutional framework which consistently tends to reward good behaviour and punish bad behaviour play a vital role in regulating people's conduct. In any society, only a small proportion of people has the innate propensity to indulge in socially undesirable and deviant behaviour for short-term personal gain. Equally, only a small group of citizens endowed with a deeply

ingrained sense of morality and community spirit has the innate capacity to harmoniously reconcile their individual desires with society's needs. The behaviour of the bulk of the population is determined by the system of incentives and risks built by the society and state. If good behaviour is consistently rewarded and bad behaviour is consistently punished, then most people tend to behave in a socially desirable manner. If, however, the contrary is true, and good behaviour actually puts a citizen at a considerable disadvantage, and bad behaviour is consistently and extravagantly rewarded, the bulk of the people act in naked, transient self-interest at the cost of society. The remedy to corruption and deviant behaviour therefore lies in institutions, not morality alone. Certainly, every society needs a moral compass. The teachings of Buddha, Jesus, Mohammad, or Gandhi act as a guide and serve as a beacon of hope. But in the absence of enabling institutions, mere preaching will not improve the conduct of people. The focus for civil society should therefore be on institutions which promote integrity and discourage corrupt behaviour.

Corruption, in a clinical sense, is like cancer. While the chief distinguishing feature of all forms of cancer is the senseless and ceaseless proliferation of the malignant cells, its local causes and consequences vary depending on the organ or tissue it affects. Therefore, the remedy for each form of cancer too varies, though there are certain larger principles of combating the disease. Corruption too, is similar, and we need to examine the underlying causes in each form, in order to be able to combat it effectively.

Whatever be the causes of corruption, its impact on society is devastating. Corruption distorts competition and market forces, resulting in loss to the honest entrepreneur, consumer, and the state exchequer. In a society characterized by asymmetry of power, corruption leads to serious extortion and impoverishment of the weak and the underprivileged. It undermines the self-esteem of a citizen and leads to a vicious cycle of errant behaviour. The sense of common fate, which is so vital for a society to thrive is eroded by corruption. Corruption strengthens the

undesirable elements and weakens the worthy citizens. Corruption distorts all incentives in politics and public office, and converts politics into big business. As UN Secretary General, Kofi Annan pointed out, “Corruption is an insidious plague that has wide range of corrosive effects on societies. It undermines democracy and rule of law, leads to violation of human rights, distorts markets, erodes the quality of life, and allows organized crime, terrorism and other threats to human societies to flourish.”

There are those who despair that corruption is only increasing, and cannot be controlled. But such cynicism is neither productive, nor is it borne by evidence.

Fortunately, we can measure corruption and come to definitive conclusions. In certain sectors, our collective experience and common sense help us understand the impact of economic reform. Let us take the telecom sector. Only about a decade ago, getting a telephone connection was a herculean task. State monopolies and a system based on licenses and quotas created an economy of scarcities, demand far outstripping supply.

In the desperate scramble for scarce goods and services, corruption was inevitable. Telephone connections, cement permits, sugar quotas, steel controls and a host of other licenses bred phenomenal corruption all over India. The economic freedom of citizens was eroded to a point where Indians were reduced to mendicancy and serfdom. Competition, choice and new technologies enhanced production, reduced costs, improved quality, and dramatically reduced corruption. Youngsters of today will not believe that a generation ago a hefty premium had to be paid to buy a motorcar!

Even where direct competition has not been introduced, technology and transparency did improve things. Railway reservation is a good example. There was a time when you had to grease the palms of a bureaucrat to get a berth. With the introduction of online computerized reservation, most corruption ceased.

Similarly, with computerization in many states obtaining birth and death certificates or land records is increasingly easy and corruption-free. In Income Tax, introduction of PAN, and simplification of tax procedures have seen significant reduction in corruption. Perhaps the most dramatic improvement is seen in issuing passports. Now, in most parts of India, passport is available for the asking within a reasonable period. Fast track procedures, easy access of application forms, and online monitoring have greatly helped reduce corruption and delays.

All these are positive developments, which can be related to economic liberalization and a spirit of openness and freedom it has spawned. Clearly, corruption in certain areas has visibly declined, and things are improving.

But elimination of license-permit-quota raj is only a necessary but not a sufficient condition to improve probity in public life. Many other measures are required to curb corruption. Chief among them are decentralization of power, enforcement of rule of law, and building systems of accountability. Centralization always breeds corruption. Even if the top functionary is known for integrity and sobriety, in a centralized system there will be always weak links. As is well known, the strength of a long chain is that of its weakest link. If one functionary in the hierarchy is corrupt, his behaviour vitiates the whole process. What is more, in a centralized system, there are no mechanisms for easy correction. Nor do people know how to fight corruption because central authority is far removed from them. And the corrupt employee easily escapes the blame, since authority and accountability are almost always divorced from each other in a centralized, large system. Therefore decentralization of power and effective empowerment of local governments in a manner that people understand the links between their vote and public good, taxes and services, and authority and accountability are vital to curb corruption. It cannot be our case that locally elected governments are inherently less corrupt. However, local authorities are far more accountable, and

people are more resourceful and assertive in dealing with a local government. These characteristics of decentralized power will act as a check against abuse of authority.

Strong mechanisms of rule of law, independent crime investigation, speedy and efficient justice are critical to curb corruption and promote a culture of trust and confidence. Once these are combined with strong, independent ombudsmen, it acts as a deterrent against corrupt behaviour. While institution building and preventive vigilance are more effective, they will work only when the punitive wings are strong. In any society, there is bound to be some abuse of authority and corruption, and fair, swift, and exemplary punishment for wrongdoing is the cornerstone of anti-corruption strategies.

There are mechanisms for involving citizens directly in the fight against corruption. In the US, there is a law called False Claims Act, which directly empowers citizens. Any citizen can file a civil suit on behalf of the Federal government if there is corruption and loss to the public exchequer – directly in monetary terms, or indirectly by way of social or environmental costs. The court is empowered to swiftly try such cases called qui-tam suits, and impose a penalty equal to three times the loss sustained. The citizen gets 15-35% of the penalty as compensation for his initiative, depending on the degree of involvement. Over the past 15 years, nearly \$15 billion was thus recovered in these qui-tam suits.

Right to information, citizen's charters, and other people-friendly measures of accountability are powerful weapons in the fight against corruption. In AP, a citizen's charter for the municipalities provides for a compensation of Rs.50 per day's delay in a few basic services. This measure, which came about because of Lok Satta's advocacy, has had a very salutary effect in improving those services and minimizing corruption. Surveys reveal that in those services, satisfaction levels now are over 90 percent. The recently enacted Right to Information law is well-drafted and citizen-friendly. Once this is operationalized in all agencies,

states and local governments, it will be a powerful tool in the hands of citizens. Civil society organizations need to seize the opportunity and educate, organize, and mobilize the public in this fight against corruption.

Finally, we must recognize that our political system itself is founded on corruption. Vast, illegitimate expenditure in elections and multiple returns in office have become a vicious cycle distorting our democracy. Politics has become big business. Increasingly, a new class of entrepreneurs who are willing to 'invest' vast sums is attracted to politics. There is thus an inexhaustible appetite for illegitimate funds in our system. Every lever of state is manipulated to get multiple returns on investment. The estimated expenditure of candidates and parties, in elections for Lok Sabha and State Assemblies in a cycle of five years is about Rs. 10,000 crore. Most of it is illegitimate and unaccounted. The system can be sustained only if there is a ten-fold return to politicians to cover risk, return on investment, provisioning for the next election, upkeep of an army of political 'workers,' and private gain. In return, politicians created a system of rent-seeking, with corruption proceeds shared with the bureaucracy. Given that the employees extorting money vastly outnumber politicians, the actual corruption over a five-year period to sustain this corruption chain is of the order of Rs. 10,00,000 crore or Rs. 2,00,000 crore per annum. This is the burden of corruption that citizens face.

From the evidence available, two broad conclusions emerge. First, corruption is declining wherever competition, choice, technology and transparency are introduced. But this corruption is increasingly shifting to sovereign areas of state functioning, where state monopoly cannot be removed. That is why police and judiciary are at the top of corruption list now. Second, this shift in corruption is a consequence of the inexhaustible demand for illegitimate funds in our political system.

As liberalization closed avenues of corruption in economic sphere, other, more dangerous channels are opened up because the demand continues unabated. This demand is politically-driven, and can only be addressed by political reform, which dramatically changes incentives in politics. The message is clear: corruption can be substantially eradicated; but it needs painstaking efforts and will, and most of all, far-reaching political reforms.

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