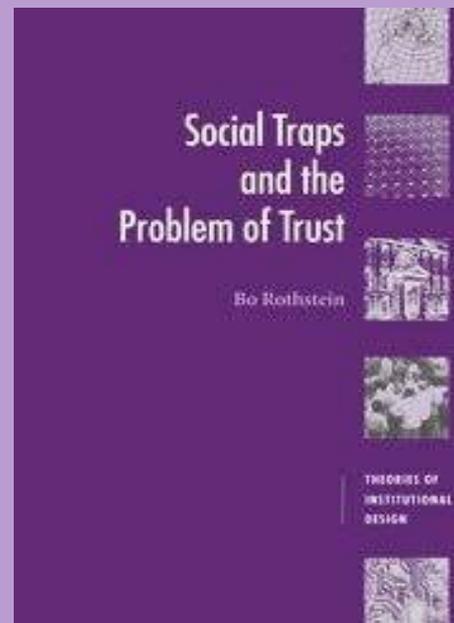
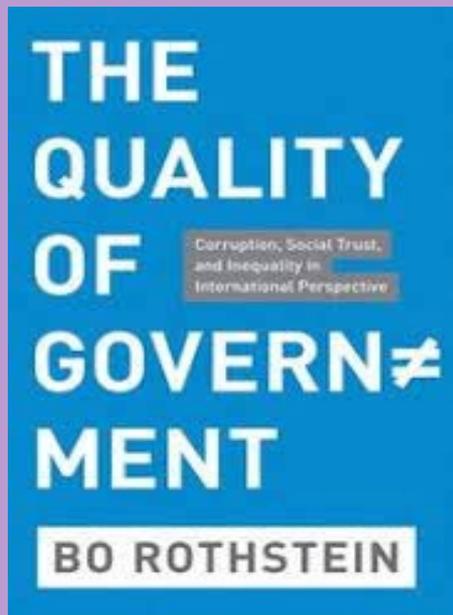
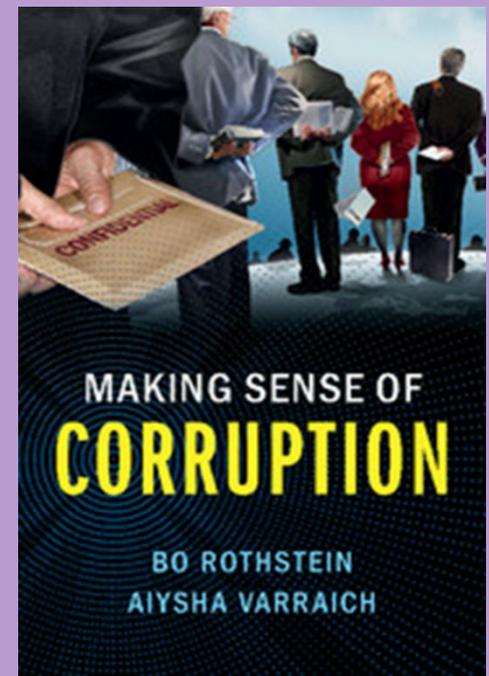
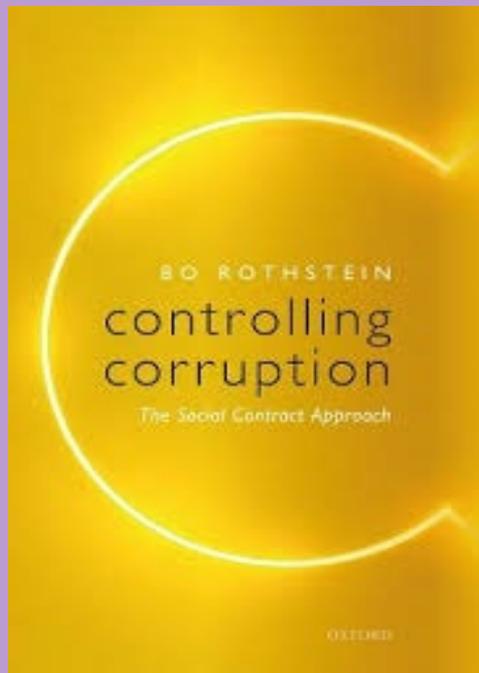
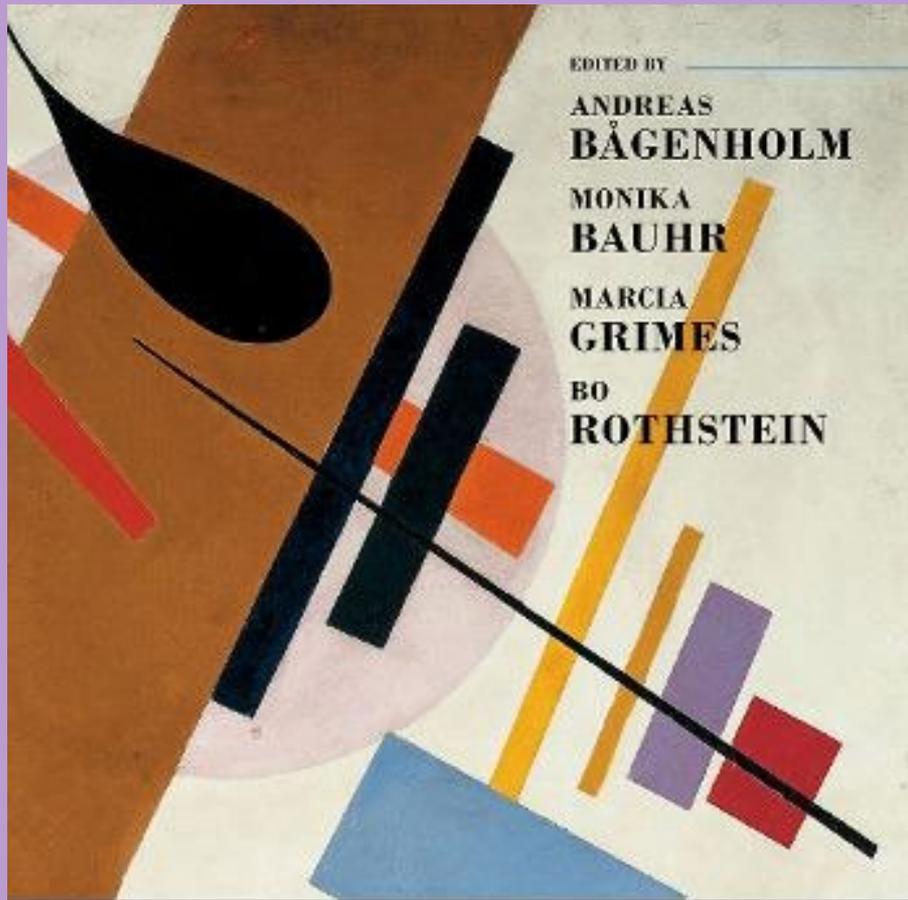


Controlling Corruption: The Social Contract Approach

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≡ The Oxford Handbook *of*
**THE QUALITY OF
GOVERNMENT**

The Quality of Government Institute at the University of Gothenburg

- Started in 2004 (minor grant to build database)
- "Center of excellence" funding in 2007, 2009, 2013 and 2016. About 180 mil. sek.
- Now about 30 researchers
- 200+ published articles, 300+ working papers, 20 books, 15 PhD thesis
- World largest databases on this specific issue – open access
- Data bases with tools that make it very easy to use

Aims of the QoG Institute

- To study the exercise dimension of political power
- How to define QoG?
- What do you get from QoG?
- How to get QoG?
- **Main dependent variable is not politics or policies but human well-being**

Why was the QoG Institute started?

”A bunch of nuns running a strip club”

1. The mystery of social capital
2. The water issue
3. The institutional turn in development economics
4. How to organize creativity

The Institutional Turn

- “The encounter between neo-classical economics and developing societies served to reveal the institutional underpinnings of market economies. A clearly delineated system of property rights, a regulatory apparatus curbing the worst forms of fraud, anti-competitive behavior, and moral hazard, a moderately cohesive society exhibiting trust and social cooperation, social and political institutions that mitigate risk and manage social conflicts, the rule of law and clean government--these are social arrangements that economists usually take for granted, but which are conspicuous by their absence in poor countries....Hence it became clear that incentives would not work or generate perverse results in the absence of adequate institutions” (Dani Rodrik 1999)

Organizing Creativity

Li Bennich – Björkman!



Evaluation of expert panel in 2019

- “One of the outstanding contributions to international scholarship has been the Quality of Government institute The object of QoG was to investigate how good government can be created and maintained. This initiative also provided innovation in that it combines quantitative analysis with political theories of trust and social capital. QoG-researchers have published extensively, supported ten PhD-dissertations, managed a successful visiting fellows program and built a large data bank that is widely used in international publications”
- “enjoying particular international and national prominence”

Why is QoG and Corruption a "Critically Urgent" Social Problem?

- Low QoG (i.e., high corruption) has detrimental effects on in principle all standard measures of human well-being
- About 75 percent of the worlds population live under low QoG regimes
- Without getting corruption under control, hardly any of the SDG goals can be implemented
- QoG = "the cause behind the causes"

Why "control"

- There will never be a society that is free of corruption
- The would be as likely as a society with a zero crime level
- But.... the variation as it can be measures in both crime and corruption is huge
- There is a qualitative difference between systemic and occassional corruption

Corruption and QoG – How serious is the problem?

- Nowadays taken seriously by most international and development organizations
- Basically ignored until late 1990 both by policy organizations and in academia
- Nothing in major textbooks in economics or political science from the 1990s.
- Reasons for this ignorance: Bad theory and no data.

Corruption as keyword in scientific articles



Disciplinary/ideological blinders

- Gunnar Myrdal: A "taboo" subject
- Difficult to handle for many disciplines
- Neo-classical economics
- Political Science
- Public Administration
- Anthropology
- Development research
- Welfare state research

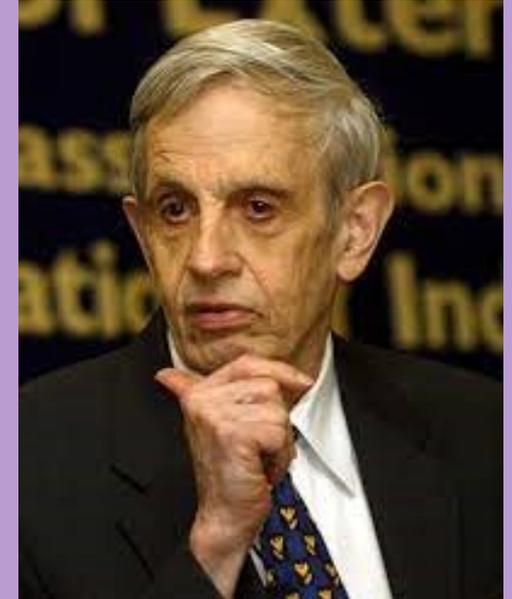
Political Science and Corruption.

Not a love affair

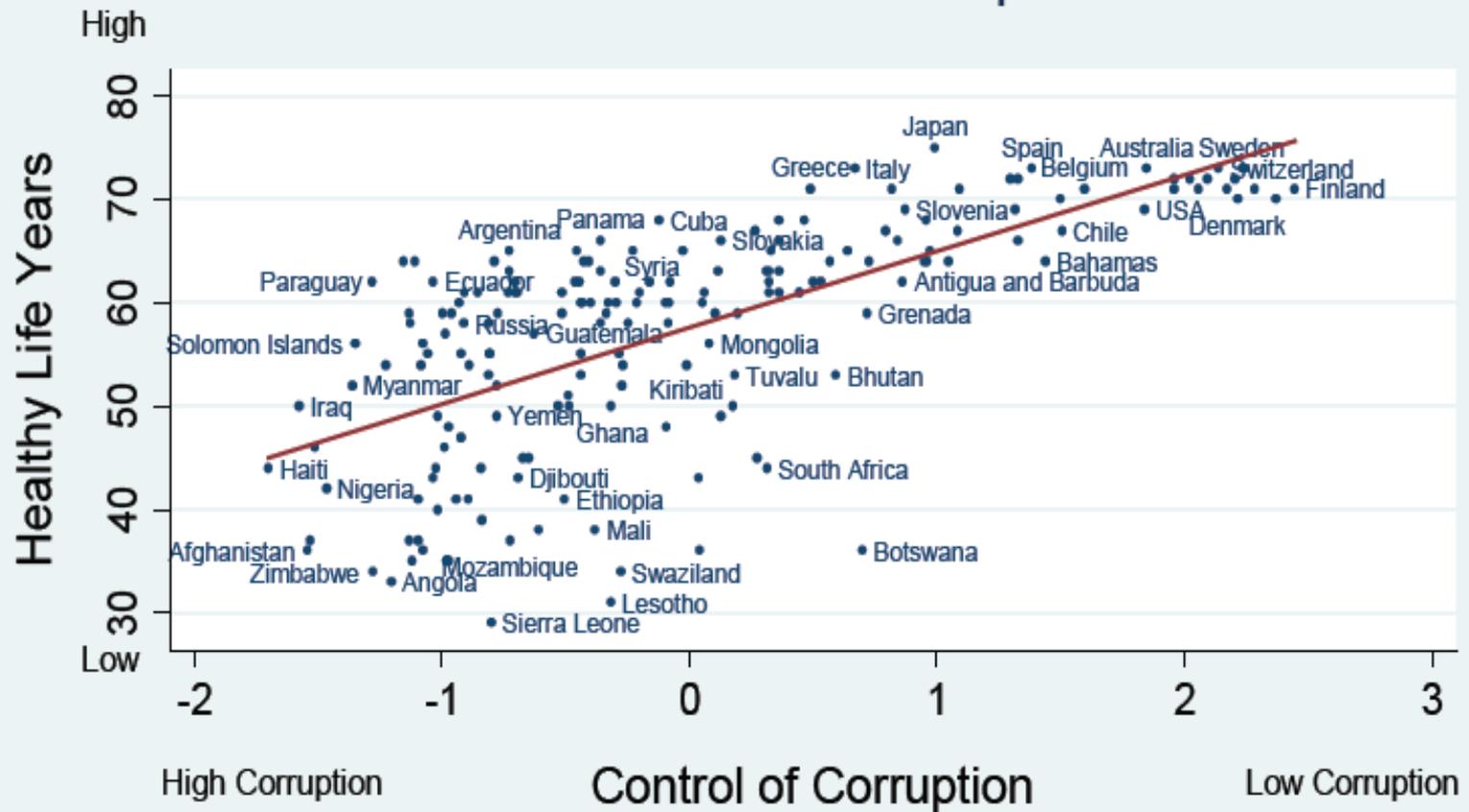
- *The Oxford Handbook of Political Science*
- *The Oxford Handbook of Comparative Politics*
- *The Oxford Handbook of Public Policy*
- *The Oxford Handbook of Comparative Institutional Analysis*
- *The Oxford Handbook of Political Theory*
- *The Oxford Handbook of Political Institutions*
- *The Oxford Handbook of Law and Politics*
- *The Oxford Handbook of Political Psychology*
- *The Oxford Handbook of Political Leadership*
- *The Oxford Handbook of the Welfare State*
- *But... here we go*
- *The Oxford Handbook of Governance*

Is this “applied” research?

- Is the difference between “applied” and “basic” research relevant for the social sciences?
- No. These “giants” that started out from applied!



Healthy Life Years vs. Control of Corruption

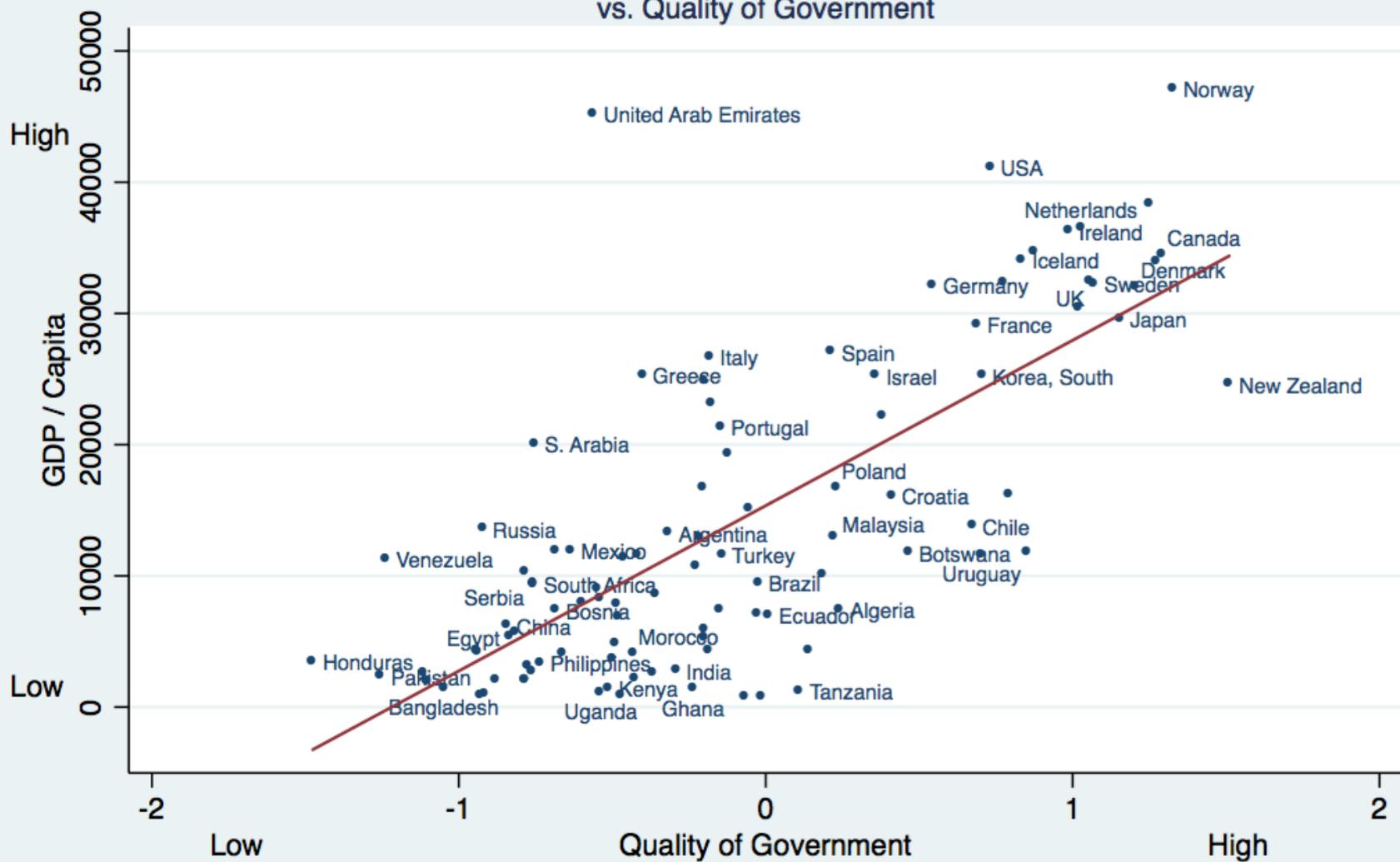


R²=0.44

Sources: WHO (-), World Bank (2002-2008)

Data runs by: Richard Svensson

GDP / Capita vs. Quality of Government

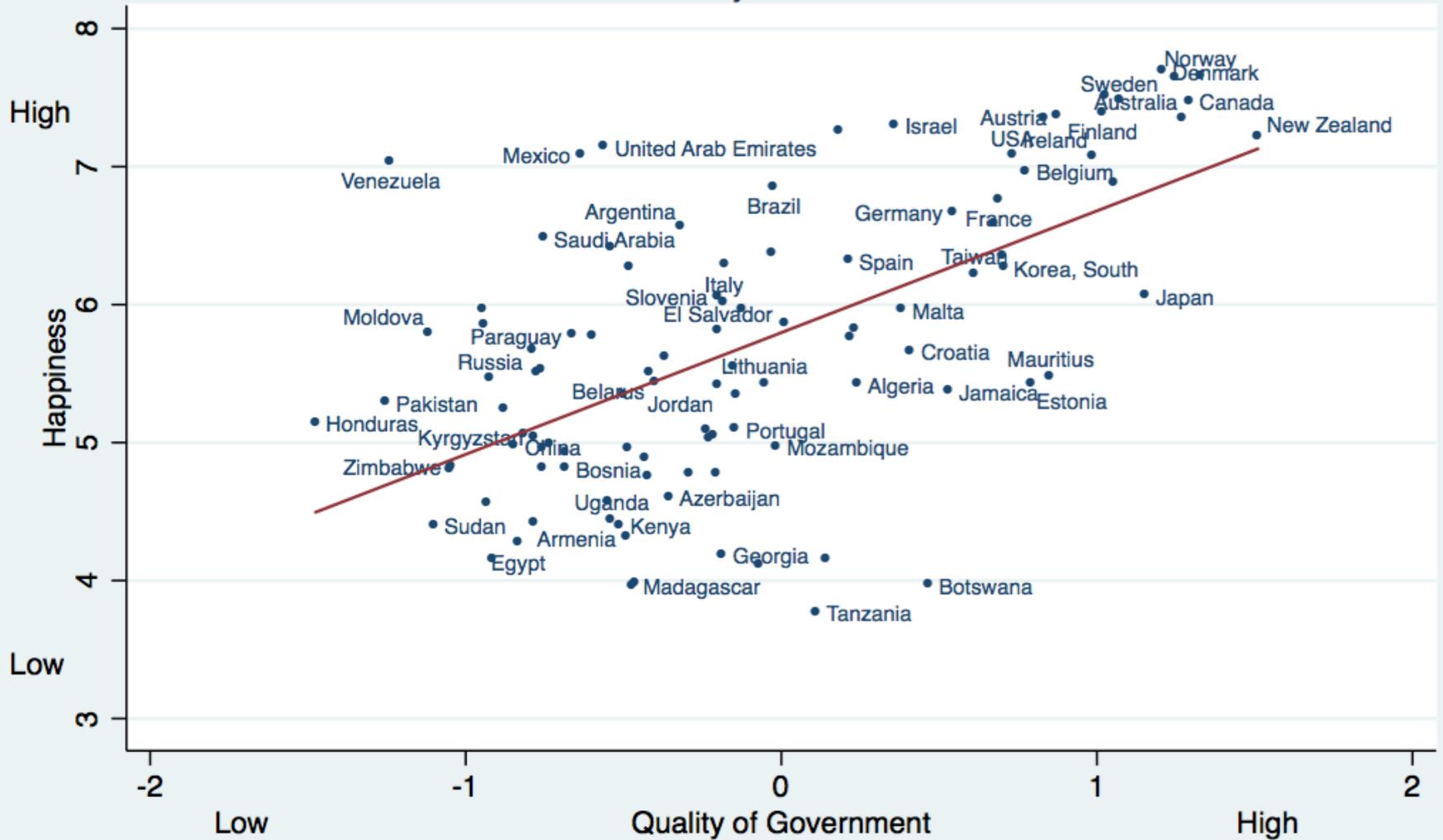


R-squared= 0.55

Number of Observations= 102

Sources: Teorell et al. 2011; World Bank WDI 2013

Happiness vs. Quality of Government



R-squared= 0.37

Number of Observations= 105

Sources: Teorell et al. 2011; UN World Happiness Report 2013

What about political legitimacy?

It has for long been taken for granted that it is democratic rights that is the main source of political legitimacy

Is this correct? The answer is a resounding no.

"General governance (a composite of the rule of law, control of corruption and government effectiveness) clearly has a large, even overarching, importance in global citizen evaluation of the legitimacy of states" "it is notable that democratic rights, while certainly qualifying as one of the most important causes of legitimacy, turn out to be roughly on par with welfare gains, and both of these are far less important than good governance".

"This clashes with standard liberal treatments of legitimacy that give overall priority to democratic rights"

(Bruce Gilley 2006)

Silent and lethal. Corruption stories from the field

“a survey of malaria fatalities in rural Tanzania reported that nearly four out of five children who died of malaria sought medical attention from modern health facilities. A range of manifestations of quiet corruption, including the absence of diagnostic equipment, drug pilfering, provider absenteeism, and very low levels of diagnostic effort, all contributed to this dire statistic”

(The World Bank: SILENT AND LETHAL: Africa Development Indicators 2010)

The four failed hopes:

- Minimize the state and roll back public regulations
- Democratize!
- Randomized control experimentation
- Anti-corruption programs based on changed incentives (aka "the principal – agent theory")

What are the results from the anti-corruption programs?

- **the international development and aid community “would like to turn Afghanistan, Somalia, Libya and Haiti into idealized places like ‘Denmark’ but it doesn’t have to slightest idea of how to bring this about” - Francis Fukuyama (2014)**
- **”By and large, the evaluations piling up after the first fifteen years of anti-corruption work showed great expectations and humble results” - Alina Mungiu-Pippidi (2015)**
- **“success stories are depressingly thin on the ground” (Dan Hough 2017)**
- **There are countries and regions and cities that have improved**

Contributions of the book

- A critique of the main theory about how to control corruption and the presentation of an alternative theory
- An improved definition of the problem
- A more specified and correct localization of the problem
- Seven empirical chapters backing this approach
- To put the issue of QoG on the general research agenda

The dominant theory that failed

- Anti-corruption policies have to a very large extent been grounded in an economic theory known as **THE PRINCIPAL - AGENT THEORY**
- Principals and agents have different interests
- The (honest) Principal need to employ agents that must be given discretionary power.
- The agents, being “homo economicus” will use their power for their own good instead of acting in the principals *public good* interest

The building blocs of the PA theory

- All agents seen as standard economic types = rational self-interested utility maximizers
- The corruption problem can be fixed by having the Principal carrying out incremental change of the incentive structure for the opportunistic agents
- More control, harder punishment, economic rewards (aka. new public management), less discretion, stricter rules....
- In conclusion: When fear of being caught exceeds greed, things will go well

The three main problems with the P-A theory

- If corruption was a problem of incentives, we would have fixed it long ago
- What is the likelihood that a society with systemic corruption will produce leaders that are “honest principals”
- A theory in which the main “mover for change” is a “type” that is not supposed to exist according to basic axioms of the theory

A Theory Built on a Ghost?



The Social Contract Approach

- Maybe the oldest of all political theories
- Fell in disrepute during the 19th century because it turned out to be difficult to show where the rights of the contract came from
- Was revived by John Rawls in the 1970s by his "veil of ignorance" approach
- "a society with a well-functioning social contract is where citizens receive public goods, various social insurances and public services in what they perceive in a fair and even-handed manner in exchange for their taxes that are collected in a fair manner"

The Social Contract Approach is based on the theory or Collective Action

- Actors strategies are neither based on self-interest nor on altruism
- Reciprocity is the most common type of behavior
- Based on the idea of agents being “reasonable”, not purely “rational”.
- Collective Action: “What agents do, depends on what they think that most other agents will do”
- Corruption should be seen as a self-reinforcing equilibrium
- Change requires that perceptions about expectations of others must change

Experimental results

- “If people believe that cheating on taxes, corruption and abuses of the welfare state are wide-spread, they themselves are more likely to cheat on taxes, take bribes or abuse welfare state institutions” (Fehr and Fischbacher 2005)
- Do the right thing: But only if others do so (Bicchieri and Xiao 2019)

The Social Contract

- Only if people perceive that a high quality of public services and institutions are serving their needs will they oppose corruption
- The social contract approach that follows thus points at "positive" policies instead of more control, punishment and lower level of public services that followed from the P-A theory

Rawls never wrote about corruption, but...

- For although men know that they share a common sense of justice and that each wants to adhere to existing arrangements, they may nevertheless lack full confidence in one another. They may suspect that some are not doing their part, and so they may be tempted not to do theirs. The general awareness of these temptations may eventually cause the scheme to break down. The suspicion that others are not honoring their duties and obligations is increased by the fact that, in absence of the authoritative interpretation and enforcement of the rules, it is particularly easy to find excuses for breaking them (Rawls 1971: 240).

Lack of a social contract. An example

- “What do you mean by tax? I am sponsoring two children’s education abroad because of incessant strikes in our universities, there is no public water in my house so I operate a personal bore hole, I power my business with a private generating set. Do you know how much I spend on all these? What tax do you want me to pay?”
- Umar, M. A. et al. 2017. "What Is Wrong With the Fiscal Social Contract of Taxation in Developing Countries?" *SAGE Open* 7 (4):1-11.

Defining corruption

- The standard def. "Abuse of entrusted power for private gain"
- An empty definition since what should count as "abuse" is not specified
- Does not specify corruption as something different from ordinary criminality (like stealing)
- Invites relativism since what counts as "abuse" differs
- Makes it impossible to measure levels of corruption in different countries (regions, cities)

The strategy: Defining what is the opposite of corruption

- Precision – what is the exact norm that should not be “abused” when implementing public policies
- The *opposite of corruption = Quality of Government*
- What state of affairs do we normatively want for the public sector
- What is the norm that should not be transgressed in the exercise of public power
- IMPARTIALITY IN THE EXERCISE OF PUBLIC POWER

QoG = Impartiality

- When implementing laws and policies, government officials shall not take anything about the citizen/case into consideration that is not *beforehand* stipulated in the policy or the law
- QoG is about the *exercise* of power, not the *access* to power
- Rules out corruption, but also other forms of favoritism such as clientelism, nepotism, patronage and various types of discrimination

Impartiality is controversial

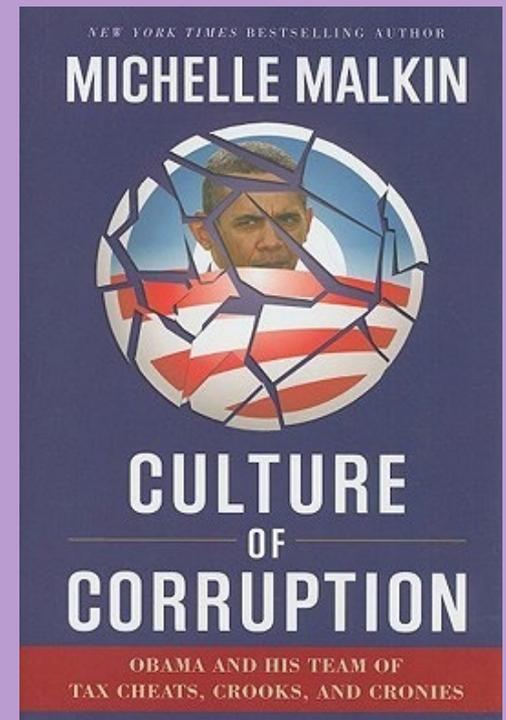
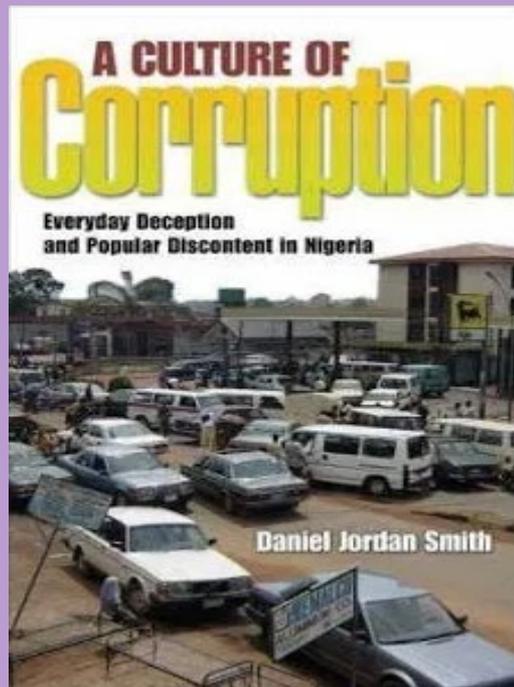
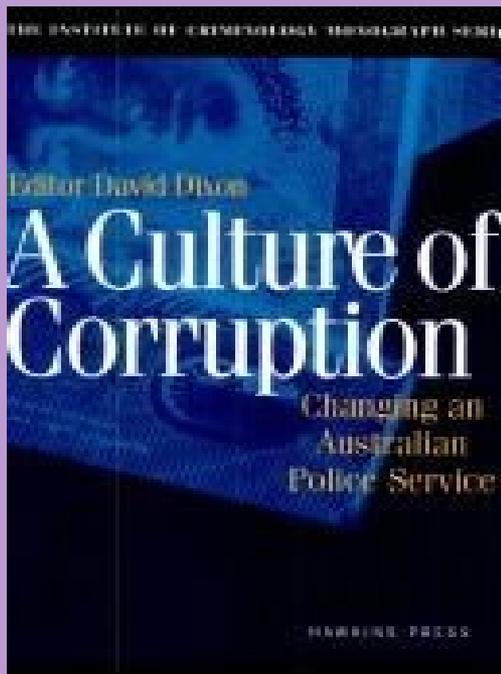
- Questioned by at least for strong approaches
- Public choice
- Marxism
- Identity theory (feminism)
- Post-colonialism

What does it mean to act according to impartiality?

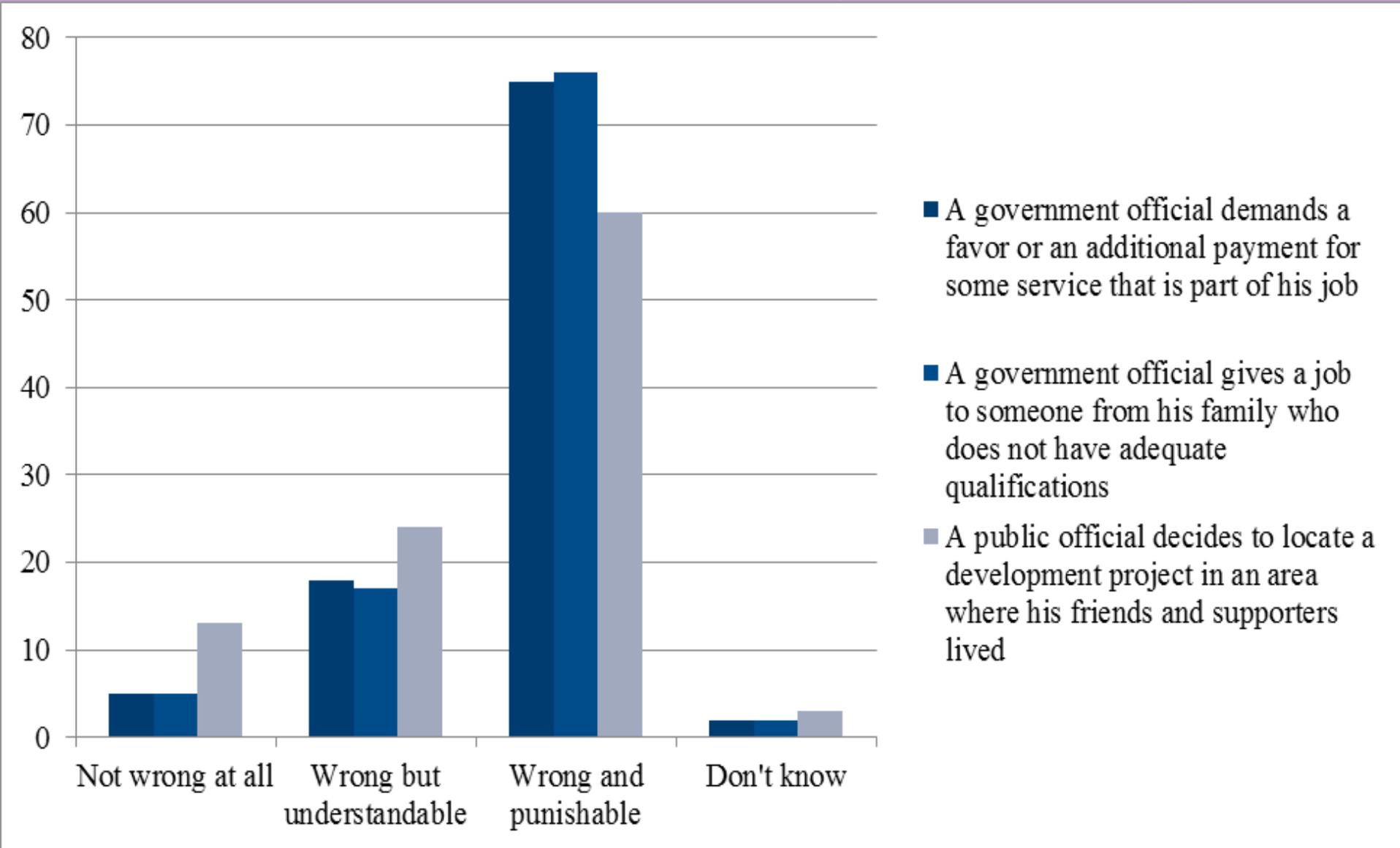
- “To act impartially is to be unmoved by certain sorts of considerations — such as special relationships and personal preferences. It is to treat people alike irrespective of personal relationships and personal likes and dislikes.” (Cupit 2000)
- Impartiality is the opposite to favouritism which is the antithesis to justice (Robert Goodin) .
- Can it be operationalized and measured? YES!

Is corruption a cultural phenomenon?

- **Anthropologists excuse corruption based on cultural explanations**
- **An increasing number of economists blame corruption based on cultural explanations**
- **Is this the correct location of the problem?**



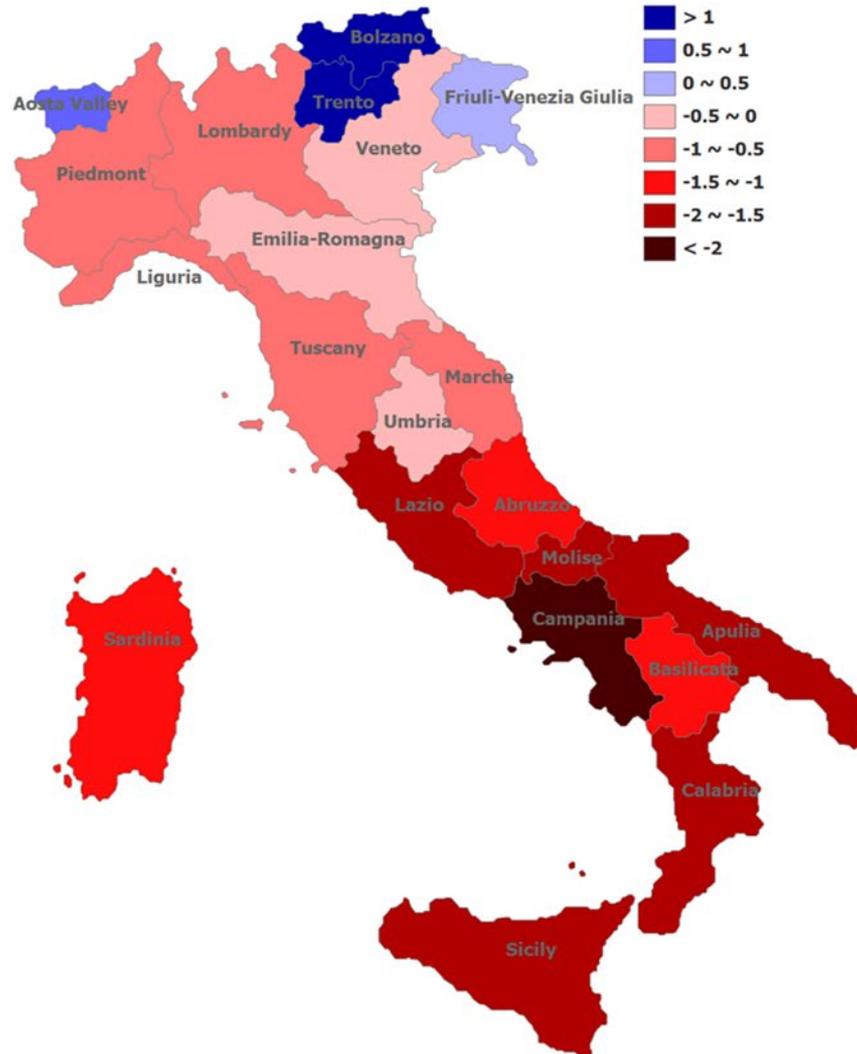
Analysis of survey data: Afrobarometer (n= 26000+)



Results from ethnographic research

- People identify corruption in a quite similar manner in very different countries
- Historical studies show that corruption is seen in quite similar manner all the way back to Ancient times
- Explanation: All societies needs to produce some "public goods"
- And corruption is when those that are to manage the public goods turn them into their private goods

Is corruption about the formal-legal institutions? Take a look at Italy



Two important policy conclusions

- Firstly, don't blame "the culture of corruption"
- Secondly, don't concentrate on the formal institutions (laws, anti-corruption agencies, etc.)
- Then what?

**If neither formal institutions nor culture,
then where is the problem located?**



Culture is about norms

But there are two types of norms!

- **1. Moral norms: *What is right and what is wrong – justifying the right moral principle***
- **2. Norms as social practice: *This is how we do things here – presumed social practice***
- **3. *These are very different types of norms.***

From theory to practice: The double trap

Trap one: Structuralism

Trap two: Trivialism

But in between, there are INSTITUTIONS as
“standard operating procedures”

Nothing in this is easy, but change can be done.

The seven empirical chapters

- How did Sweden move away from systemic corruption in the 19th century
- Why has Lutheranism been good for curbing corruption
- The role of universal education
- Gender equality and meritocracy
- Auditing of the public sector
- The universal welfare state

What type of change are we arguing for?

- All the “institutional devices” are to be understood as credible “signals about a commitment to impartiality” from state to citizens
- Thus, they represent a move to a “**new social contract**” where the state is no longer predominantly seen as a organization for preserving the particularistic interests of an economic or political elite
- The social contract approach entails more “positive” policies than the P-A approach that focus on stricter laws, more control, harder punishment...

This is the "Social Contract Approach"

- Daniel Kaufmann: *"We can no longer fight corruption by simply fighting corruption alone. Corruption is a symptom of a larger disease -- the failure of institutions and governance, resulting in poor management of revenues and resources and an absence of delivery of public goods and services"*.
- Basil Liddell-Hart and the **indirect approach**: *"In strategy the longest way round is often the shortest way there; a direct approach to the object exhausts the attacker and hardens the resistance by compression, whereas an indirect approach loosens the defender's hold by upsetting his balance. "*