

# Global Corruption Hoax: Politicization of the Concept of Corruption and the Issues of Corruption Measurement Indices

Dr. Samiul Parvez Ahmed, G. M. Wali Ullah  
School of Business, Independent University, Bangladesh (IUB), Bashundhara R/A, Dhaka - 1229  
E-mail of the corresponding author: wali@iub.edu.bd

## Abstract

Often we observe that the third world countries always top the corruption indices compare to the developed West. This incident naturally leads to the question of *why - Is it because the third world countries are significantly more corrupt than the developed countries? Or, is there any other reason behind this issue?*--these are the questions that are explored in this article. To be more specific, this article critically explores contemporary arguments regarding inherent issues of corruption and various aspects of measurement techniques of corruption indices (e.g. definition issue, identification problem, clandestine nature of corruption, perceptual problem, validity and reliability of corruption data). Thus, by examining the innate complex nature of corruption, the article argue that, in many cases, in comparison to the developed West, corruption of developing nations may not be as deep as the corruption indices, which are also contested, accuse. In addition, the article emphasizes that the corruption issue is specifically targeted towards the third world countries more so than the developed countries.

**Keywords:** corruption, governance, corruption indices, corruption measurement

## 1. Introduction

Many academicians, researchers and organizations have tried to develop the definition for corruption over time but still there are conceptual and political debates persist over these definitions (Johnston, 1996). It is noticeable that a major focus has been given only to public sector to define corruption. The widely accepted definition, developed by the World Bank, defines corruption as 'the abuse of public power for private benefit' (Tanzi, 1998:564). But this is not the case in reality as corruption actually persists in both private and public sectors. In such case, definition given by Transparency International (TI) becomes more acceptable because TI defines corruption as 'the misuse of entrusted power for private gain' (Knack, 2007:255). This is a more neutral definition though there is a question as to whether corruption is confined to a question of personal gain. There is plenty of evidence where corruption is justified on the ground of national interests<sup>1</sup>. Thus we have defined corruption as—

*Abuse of public or private power for the personal gain or for the greater interest of the nation*

To get a broader picture, some advocate emphasizing the connection between the idea of corruption and the political processes (Johnston 1996, Shleifer & Vishny 1993). Political scientists define corruption as a 'function of the lack of durable political institutions and political competition, and a weak and undeveloped civil society' (Robinson, 2002:3).

In the following section, the conceptual arguments of corruption are examined in relation to East West dichotomy.

## 2. Corruption: East Vs West

Apparently the definition suggested by the political scientists (discussed above) seems right if we apply this definition with the corruption issues of the developing countries. But ironically this definition may seem wrong once we explore the corruptions of the developed nations which have higher level of political stability and very sophisticated civil society. Generally, we observe that the corruption issue is specifically targeted towards the third world countries more so than the developed countries. But closer examinations of various issues of the developed countries also show that the corruption has become an important factor for the developed nations as well. We can observe a series of reported<sup>2</sup> or unreported corruption in developed nations. The corruption issue of the developed nations is not intensified to general people the way it makes major news for the developing countries. This may be because corruption happens so blatantly in the developing nations that it is largely publicized in the media whereas in the West, the corruption remains invisible due to sophisticated techniques (Khera, 2001) and often they are given camouflaging terms for political reasons.

But various incidents (e.g. global financial crisis) often reveal some major aspects of corruption. For example, corporate governance issues in the financial sector can shed light on this matter; Mr. Madoff's £33 billion fraud

<sup>1</sup> Mostly in international defence contracts. The evidences are discussed later in this section.

<sup>2</sup> E.g. It is reported by Le Monde in March 17, 1995, that French companies paid FF10 billion to foreign companies in 1994; World Business of March 4, 1996, reported that the bribes paid abroad by German companies had been estimated to exceed US\$ 3 billion a year. (Tanzi, 1998:563).

case in 2008 is one of the biggest financial scandals in the stock market history (BBC, 2008). The collapse of the stock markets around the world, 'triggered by the fall of Lehman Brothers, the Wall Street bank, which proved to be Mr Madoff's unravelling' (Times, 2008). In general, these types of 'Corporate Fraud'<sup>1</sup> causes British businesses £72 billion a year, on an average (Guardian, 2005) and 'the total fraud/abuse loss to U.S. organizations is over \$400 billion annually' (Khera, 2001:32); that is 'an average organization loses \$9 per day per employee to fraud' in USA (Khera, 2001:32). Irrespective of the increasing nature of corporate fraud in the West, it is not recognized as the 'corruption of West' in such way.

On the other hand, the Multinational Corporations (MNCs) make questionable payments to the foreign officials to enter into the new markets or to get preferential business supports in the foreign countries (Hamra, 2000). It is true that the politicians of the developing nations demand large amount of bribe from the foreign companies as they see public business dealings as profit making opportunities, but the MNCs also comply with these questionable payments to win the government contracts (Hamra, 2000). Moreover, the large MNCs frequently violate business ethics for their corporate benefits. For example, International Baby Food Action Network has found Nestle violating the World Health Organization's Code for selling baby formula in over 80 countries (Khera, 2001).

The government of the developed nations are also involved in many corruptive acts. They fight against each other to get international contracts where bribery is a common strategy they use to outperform one another in this competition<sup>2</sup>. The volume of bribe involved in these sorts of deals is enormous. Such as, BAE (British Aerospace, the arms company) was alleged of paying £1billion to Saudi prince, Prince Bandar, 'in connection with Britain's biggest ever weapons contract' (£43billion Al-Yamamah arms deal) in June 2007 (Guardian, 2007). The insider legal source revealed that BAE paid the bribe 'with the knowledge and authorization of Ministry of Defence officials under the Blair government and its predecessors' (Guardian, 2007). The case was investigated by the Serious Fraud Office (SFO) but the investigation was halted by the attorney general, Lord Goldsmith, on the ground of national interest.

Politicians or officials or international institutions of the developed nations often help the corrupt politicians of the developing nations to fulfil their objectives if that is beneficial for them as well. Highly corrupt leaders of developing countries often transfer their illegal earnings to the financial centres of the developed countries with their cooperation. Such as, Marcos in the Philippines or Abacha in Nigeria transferred their looted proceeds in the safe havens of developed countries (Kaufmann, 2008). Moreover, the top leaders/politicians of the developed countries can also be found of guilty of corruption charges for their personal benefit. For example, the former Italian Prime Minister, Berlusconi, was accused of paying £315,000 to a corporate lawyer, Mr. Mills, to withhold some damaging information about Berlusconi in two trials in 1990s (The Independent, 2006).

The above mentioned incidents are sometimes termed as 'organized crime'<sup>3</sup>. The concept of organized crime is not new, for a long period of time there are several criminal organizations (Italian *Mafia*, South American drug cartels, Chinese *Triads*, Japanese *Yakuza*, US *Cosa Nostra*) operating globally. These organizations act as a separate independent entity beside state and many of their characteristics are similar to formal state; however their activities<sup>4</sup> are declared as illegal and criminal by the state (Strange, 1997). Several examples of organized crime can be seen in Russia where crucial relationship can be found between the government and the criminal organizations that undermine the rule of law and democracy (Write, 2006)<sup>5</sup>. Russian Interior Ministry (MVD) estimated that the accumulated criminal capital in Russia is about 10 to 10.5 billion USD by March 1996 (EU, 1998). In Italy, Giulio Andreotti, the seven-time prime minister, 'has twice been deprived of his parliamentary

---

<sup>1</sup> E.g. corporate fraud can be insider trading, overstating profits, establishing complex accounting schemes that involve siphoning money into offshore accounts, money laundering and elaborate cover-ups by senior managers designed to protect dealers who trade in derivatives or equities etc.

<sup>2</sup> E.g. A German shipbuilding corporation made \$3million bribe to South African officials to win a major defence contract. (Bönisch G. and Dettmer M., 2007). E.g. A possible bribery charges involving a \$50 million contract to renovate the headquarters of a Geneva-based United Nations agency, according to government documents and Swiss and American officials. (Miller J., 2005).

<sup>3</sup> United Nations have given a universal definition of organized crime in 1976. According to UN, organized crime 'is understood to be the large scale and complex criminal activity carried on by groups of persons, however loosely or tightly organized, for the enrichment of those participating and at the expense of the community and its members'. (Write, 2006:8).

<sup>4</sup> i.e. Arms dealing, Counterfeiting, Drug Trafficking, Fraud and Corporate Crime, Money Laundering, Smuggling, Marine Piracy, Labour Racketeering etc. (Write, 2006:49).

<sup>5</sup> Russian Authority estimated in 1994 that there are roughly 5,700 criminal gangs that employ approximately 3 million workers, whose output of criminal production is at the level equivalent to 35% of Russian GDP (EU, 1998:48).

immunity for charges of collaboration with the Mafia' (Write, 2006:53).

From another strand, the West always accuses the developing nations for using child labour in the industrial sectors, especially in the apparel sectors<sup>1</sup>. But this is also true for the developed nations; statistics show that 'in an average week, more than 4 million 12-17 year olds are employed in the U.S.' (Khera, 2001:33). Moreover, about 290,000 children who unlawfully work in the U.S. industries are 'subjected to such dangers as pesticides, construction site accidents, sharp implements, and more' (Khera, 2001:33). But surprisingly the child labour issue is perceived to happen only in developing nations.

The above discussion reflects clearly the fact that the nature of corruption is vast and not only confined to third world countries though the West may have some biases or stereotyping over the developing nations about this issue. We should not take any myopic view while conceptualizing the corruption concept. Furthermore, we should not make any comment about who is more corrupt than whom between developed and developing nations, without applying any proper comparison tool.

In the following section we will critically analyze the methodologies followed by various corruption measurement tools.

### **3. Methods: Critical Analysis of Corruption Indices**

The complexities of the nature of corruption, contextual issues and the normative nature of the concept of corruption make it difficult to develop universal measurement techniques for it. Still, a number of corruption measurement techniques have been developed and are largely being used to measure corruption. All these measurement techniques are developed using quantitative approach where the common objective is to measure corruption and its extent with numbers so that longitudinal analysis and cross-country comparability is possible. Basically, all the indicators/indices follow three ways to gather information to construct them; these are (a) perceptual views and experiences of stakeholders<sup>2</sup> (usually follows survey method), (b) various countries' institutional profiles<sup>3</sup>; and (c) audit reports of various projects (Urta, 2007). Though these indicators are widely used these days for anti-corruption policy formulation or for other policy issues, the validity or reliability of these techniques needs closer investigations of their inherent purposes and methodologies.

#### **3.1 Definition Problem**

This is the most basic problem of measuring corruption. This issue already have been discussed in the first section that there could not be any universal definition of corruption; and for that, development of any single standardized measurement technique is difficult. Though several corruption indicators exist, each of them differs in their own way of defining corruption and how they intend to measure it. Thus, for these indicators, it is important to be transparent about their definition, purpose and methodology they follow.

#### **3.2 Identification Issue: Normative Nature of Corruption**

Measurement of corruption starts with the assumption that there is finite number of different corruptive activities exists that research can count (Gallup, 1999). But, there can be infinite ways of identifying various acts as corruptive acts itself is subject to normative issue. Therefore, how or who will judge an act as corruptive one is of serious concern. Any effort to classify behaviours may not be satisfactory because of the normative nature of the concept of corruption (Johnston, 2004). Actually, there is no single easy way to solve this problem.

#### **3.3 Clandestine Nature of Corruption**

As the act of corruption is something to hide, so it is difficult to extract the actual information about a corruptive incidence. Even sometimes it happens that the 'officials charged with control are themselves compromised'; thus it becomes even more difficult to measure such corruption (Johnston, 2000:4). In other cases, 'where corrupt officials and their clients operate with impunity, informants and prying journalists might be silenced by intimidation' (Johnston, 2000:18). Moreover, the stakeholders of a corruptive act (i.e. government officials who get the share of a bribe or business people who enjoys unfair benefit) will hide the true picture because of selfish reason.

#### **3.4 Perceptual Problem**

Perceptions are subject to social/individual norms, values and contextual experiences. Peoples' perception can vary to a greater extent based on various countries' or societies' inherent value system. Judgement of corruption

---

<sup>1</sup> The Department of Labor's 1994 international child labor study, *By the Sweat and Toil of Children (Volume I): The Use of Child Labor in U.S. Manufactured and Mined Imports*, catalogued existing information on child labor in the garment industries of Bangladesh, Brazil, China, Guatemala, India, Indonesia, Lesotho, Morocco, the Philippines, Portugal and Thailand. The report states that children were involved in the production of garments for export to the United States. (U.S. Department of Labor, 2008).

<sup>2</sup> Businesses, public officials, international actors (NGOs and multilateral agencies), and individuals. (Urta, 2007).

<sup>3</sup> Institutional profile focusing on procurement practices, administrative framework, budget management etc. where there is scope for corruption. (Urta, 2007).

of an alleged act depends on the context and value system of that society. Such as, the likelihood of perceiving a gift giving habit as corruptive act in Russia and in Denmark would be different (Gallup, 1999). Indices that are based on perceptual measurement of corruption are hard to use as cross-country comparison of corruption for this perceptual issue. Moreover, perceptual measurement can vary over time as people's perception always changes due to changes in the value system. Thus, these issues should be considered while developing perceptual based indicators.

### 3.5 Validity

Validity means whether the data can actually measure what we intend to measure (Babbie, 2004). If the concept of corruption were clearly identified then the most important part would be to collect appropriate data to measure it. Irrespective of the definitional argument of corruption, the widely accepted Transparency International's Corruption Perception Index (CPI) is constructed principally on the basis of the perceptual data of international business experts; but it excludes households and small informal business sectors. Some criticize that this 'expert evaluations' of CPI are 'severely biased' due to the *nature* of the respondent group who are all international business experts (Gallup, 1999). Here the *nature* of the group means this group is a fairly closed group having little or no idea about local customs and language, and they are all businessmen (Gallup, 1999). Thus, it is highly unlikely that these people can reflect the experiences of informal business sectors, women or poor (Jones, 2007). In support with this view, a study conducted by Razafindrakoto and Roubaud found that the CPI (contributed by the experts) is 'overestimated four or fivefold the extent to which households in some francophone African countries experienced corruption' (Jones, 2007:1). Thereby, the validity issue of CPI is questionable. It is of utmost concern now that whether the CPI can really reflect the overall corruption level of a country or not.

### 3.6 Reliability

Reliability means generating same results if a technique is repeatedly applied to the same object (Babbie, 2004). If we analyse the reliability of CPI, it is commendable. The statistical correlation analysis shows that CPI's results are broadly consistent over one year to the next (Johnston, 2000). Transparency International claims that CPI 'is the most statistically robust means of measuring perceptions of corruption' (Lambsdorff, 1998:1). But the results are too strong or show too higher consistency<sup>1</sup> in some particular cases and that is not expected in reality. Too consistent result is an issue because corruption is supposed to change over time and a reliable result should also reflect these changes in their results. Thus a reliable corruption indicator should reflect the expected/necessary changes as well. But even if the result changes it would be difficult to evaluate its accuracy because a mere change in result would not tell us anything about the changes in 'real' level of corruption (Johnston, 2000).

### 3.7 Precision

The preciseness of the measurement concerns the degree of fineness of the attributes that compose a variable (Babbie, 2004). The precision of various corruption indices is difficult to evaluate because there is lack of standard frame of reference or standardized value in this area. There is also a lack of understanding about what scale should be used in corruption measurement or how the distribution of the observations should be distributed (Johnston, 2000). Often CPI data are considered as ratio data but differences between two scores does not necessarily means absolute difference (Johnston, 2000); i.e. let two countries, A & B, having CPI scores 4 and 2 accordingly. Hence, this result does not mean that country 'A' is twice as corrupt than country 'B'. Rather CPI data can be considered as ordinal data, that is, with the help of former example we can say that country 'A' is more corrupt than country 'B'; but we cannot make any comment about the extent of corruptions or even the dimensions of corruptions of these countries.

### 3.8 Weighting of Aggregated Indices

Usually aggregated indices generate data from more than one methods/sources and thus weight them according to certain justification and thus construct the composite indices (i.e. CPI, BEEPS, World Governance Indicators etc.). Two of the simple weighting approaches that CPI considers are 'time' and 'professionalism and reliability' factors. In 'time' factor, more weights are given to recent data and lower weights are given to older data (Lambsdorff, 1998). But this may not be a very good way of weighting different sources of data, as the 'quality' of data is ignored in this approach; it does not necessarily mean that older data are always less relevant or even lower in quality than the recent data. In the second approach, 'professionalism and reliability' factor, different sources are categorized according to various levels of 'professionalism and reliability' and thus higher weights are given to higher ranked sources/data and lower weights given to lower ranked sources/data (Lambsdorff, 1998). Then again, there is a problem with such approach, that is how or who to judge the degree of 'professionalism and reliability' of various sources/data. These examples show that weighting issues are crucial to develop composite or aggregated indices.

---

<sup>1</sup> The coefficient is 0.94 between 1995 and 1999 scores which might be too strong for corruption measurement. (Johnston, 2000:13).

### 3.9 Subjective Vs Objective Approaches

Most of the indices are subjective indicators that measure basically the ‘perception’ of corruption rather than actual level of corruption. A certain level of error would be associated with any subjective measurement technique due to attitudinal bias, contextual bias, or perceptual differences of the respondents. Due to these problems, constant pressure is building up on focusing on ‘hard objective data’ than ‘soft perception’ data (Urta, 2007). Though objective indicators can generate relatively accurate results but there is scarcity of pure objective measurement techniques in corruption measurement because of lack of factual information in this area due to sensitive/ clandestine nature of corruption. Thus efforts are shifting toward developing subjective indices backed up by hard evidences/documentations of the data.

### 4. Conclusion

The above discussion clearly shows that an area as complex as corruption is difficult to measure in an objective way. However, we widely observe that particular interest groups try to measure corruption in their own justifiable way. We should be morally conscious while producing any corruption indices which itself is contestable. Global recognition of highly corrupted countries based on controversial methods can demean their images to the rest of the world. It is a question whether developing countries (e.g. Bangladesh) could top over some developed countries (e.g. USA or Britain) in corruption ranking if the corruptions were measured in absolute monetary terms<sup>1</sup> (objective measurement) instead of perceptual measurement techniques; however all the measurement techniques are perceptual in nature and hence the results are confined only to particular subjective perspectives.

Here, the intention is not to conclude that developing countries are free of corruption, rather the issue would be not to blame only the third world countries as being corrupt as the developed countries are equally (or even more) corrupted, but they are in disguise. Actually corruption takes different form in different parts of the world and we need to have a standardized transparent method to identify and classify them. We hope that the issues that have mentioned in this paper should be addressed by various corruption measurement bodies in future and modify their methodologies in measuring corruption.

### References

- Babbie E., R., (2004), *The Practice of Social Research*, (10<sup>th</sup> ed.), Belmont: Wadsworth Publication Company.
- BBC, (2008), Banks Hits Worldwide by US ‘Fraud’, 15 December 2008. URL: <http://news.bbc.co.uk/1/hi/business/7783236.stm>
- Bönisch G. and Dettmer M., (2007), Dubious Defense Deal: Bribery Allegations Cloud German Ship Sale to South Africa, *Spiegel Online International*, May, 2007.
- EU (European Union), (1998), Illicit Trade and Organized Crime: New Threats to Economic Security, *Seminars on Economic Security*, European Communities Publications.
- Gallup (The Hungarian Gallup Institute) (1999), Basic Methodological Aspects of Corruption Measurement: Lessons Learned from the Literature and the Pilot Study, December 1999, Published by The Hungarian Gallup Institute.
- Guardian (2005), Corporate fraud loses UK business £72bn each year, Guardian, UK. URL: <http://www.guardian.co.uk/business/2005/nov/20/corporatefraud.observerbusiness>
- Guardian (2007), BAE accused of secretly paying £1bn to Saudi prince, Guardian, UK. URL: <http://www.guardian.co.uk/world/2007/jun/07/bae1/print>
- Hamra W., (2000), Bribery in International Business Transactions and the OECD Convention: Benefits and Limitations, *Business Economics*, October 2000, URL: [http://findarticles.com/p/articles/mi\\_m1094/is\\_4\\_35/ai\\_67978515](http://findarticles.com/p/articles/mi_m1094/is_4_35/ai_67978515)
- Johnston M., (1996), The Search for Definitions: The Vitality of Politics and the Issue of Corruption, *International Social Science Journal*, No. 149, 1996, pp. 321-335 in the English version.
- Johnston M., (2000), The New Corruption Rankings: Implications for Analysis and Reforms, August 2000. URL: <http://people.colgate.edu/mjohnston/MJ%20papers%2001/Corr%20Indices.pdf>
- Johnston M., (2004), Keeping the Answers, Changing the Questions: Corruption Definitions Revisited, February 29, 2004.
- Jones S., (2007), Measuring Corruption, OPM (Oxford Policy Management) Briefing Notes 2007-01, Oxford, UK.
- Kaufmann D., (2008), Developing World Hopelessly Corrupt; Industrialized Countries in Nirvana?, *The Kaufmann Governance Post*, March 2008.
- Khera I. P., (2001), Business Ethics East Vs West: Myths and Realities, *Journal of Business Ethics*, 2001, Vol.

<sup>1</sup> As mentioned earlier that, only in private sector, the British business have corporate fraud case on an average £72 billion a year (Guardian, 2005) and in USA it is over \$400 billion a year. (Khera, 2001:32).

30, pp. 29-39, Published by Kluwer Academic Publishers.

Knack S., (2007), Measuring Corruption: A Critique of Indicators in Eastern Europe and Central Asia, *Economist, World Bank*, Vol. 27, No.3, (2007), pp. 255-291, Published by Cambridge University Press, UK.

Lambsdorff J. G., (1998), Transparency International (TI) 1998 Corruption Perception Index, Framework Document, 14 September 1998.

Miller J., (2005), Swiss Investigates Possibility of Bribery in U.N. Contract, *The New York Times*, May, 2005.

Robinson M. (2002), *Corruption and Development*, London: Routledge Publishers.

Shleifer A., and Vishny R. W. (1993), Corruption, *The Quarterly Journal of Economics*, Vol. 108, No. 3, (Aug, 1993), pp. 599-617, Published by MIT Press.

Strange S., (1997), *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge University Press: UK.

Tanzi V. (1998), Corruption Around The World: Causes, Consequences, Scope, and Cures, *IMF Staff Papers*, Vol. 45, No. 4, December 1998.

The Independent (UK), (2006), Mills and Berlusconi to face trial on corruption charges, October 2006.

Times Online, 2008, British Banks Loosing Billions to 'One Big Lie' in Biggest Ever Fraud: Wall Street Investors Struggle to Understand How They Fell for Simple Fraud, 16 December 2008.

Urrea F. J., (2007), Assessing Corruption--An Analytical Review of Corruption Measurement and Its Problems: Perception, Error and Utility, Online Publication, May 2007.

U.S. Department of Labour, 2008, Child Labour in Apparel Sector.

URL: <http://www.dol.gov/ilab/media/reports/iclp/apparel/1c.htm>.

Write A., (2006), *Organized Crime*, Willan Publishing: USA.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:  
<http://www.iiste.org>

## CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

**Prospective authors of journals can find the submission instruction on the following page:** <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

## MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Recent conferences: <http://www.iiste.org/conference/>

## IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

