

In the abyss of corruption

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CORRUPTION is probably one of the most ancient problems of Bangladesh and it continues to grow unboundedly as days progress. Citizens are perhaps tired of this tale as they feel that no tangible solution to this social evil can be attained in the near future. However, effort continues despite this dark pessimism as this article hopes to provide some glimpse of corruption practice in Bangladesh at the advent of 21st century.

Before progressing further, let us first know where Bangladesh stand relative to other countries in terms of corruption. Transparency International (1996) survey unveils Bangladesh being one of the most corrupt nations in the world. Out of 54 nations covered in the survey Bangladesh was ranked 51 with a mean score of 2.3 (10 being least corrupt). This placed Bangladesh as being somewhat less corrupt than Kenya (52), Pakistan (53) and Nigeria (54), but more corrupt than India (46) and Russia (47).

What motivates or causes corruption have been a scholarly interest over the past three decades. Several researchers have come up with many possibilities. Corruption is a phenomenon of excessive government intervention; if trade is highly restricted (such as tariffs and import quotas); if the state favours industrial policies (such as subsidies and tax deductions); believes in price controls; practice multiple exchange rates; follows foreign exchange allocation schemes; and supports government-controlled provision of credits. Some rents may arise in the absence of government intervention, as in the case of natural resources, such as natural gas in our case, whose supply is limited by nature and whose extraction cost is far lower than its market price.

Since abnormal profits are available to those who extract gas, officials who allocate extraction rights are likely to be offered bribes. Finally, one would expect that corruption is more likely to take place when civil servants are paid very low wage, consequently leaves them little room to refuse bribes.

The existence of rents is probably one of the prime causes of corruption in developing countries. The theory of rent seeking tells us that any power generated by market distortions holds the promise of economic rents through corruption. This is why people invest so much money to get a job in police or custom department civil service, a prominent source of rent-seeking activities. Such investment could otherwise be utilised in productive sectors like investment in human capital.

Salim Rashid (1981) provides an interesting example of telephone operators of what the author as labelled 'night-shift phenomenon'! The author questions why night duty is greatly preferred by telephone operators? This is because there are potential chances of gaining rents while serving at night as it is daytime in Europe while it is the night in Bangladesh, and all business wish to talk to their foreign agents during (European) office hours. Hence, competition for a night-duty post is active and people invest either to obtain such position or to have a transfer from an existing non-profitable position.

Of all types of corruption the one that is most detrimental to growth is perhaps the bureaucratic corruption. Bangladesh is already infamous for its weird bureaucratic bottlenecks. But why does such oddity is so much into us relative to other countries?

One plausible explanation for this widespread bureaucratic corruption is excessive government intervention or the size of the government. Bangladesh being one of the most interventionist economies, its responsibilities of resource allocation (for example, fund allocation for primary education) often go to the shoulder of the bureaucratic structure, and since the shadow price generated thereby typically deviates from free market prices, an incentive arises to close the gap by various side payment, or bribes. Exercising the opportunity to obtain such rents is what known as corruption.

General public takes this golden chance by paying bribes to bureaucrats in order to obtain lucrative import licenses, foreign exchange permits, transfer of job or an admission in school/college. In addition, entrepreneurs also bribe civil servants in order to reduce their tax burden or gain exemptions from certain government regulations. Bureaucratic corruption, thus, is primarily rent seeking behavior, and is related to government control of economic activity.

Paulo Mauro, an IMF economist, in his 1995 study used a data set consisting of subjective indices of bureaucratic honesty and efficiency and came up with this staggering result. For example, as Mauro shows, if Bangladesh were to improve the integrity and efficiency of its bureaucracy to the level of that of Uruguay (corresponding to one-standard-deviation increase in the bureaucracy efficiency index), its investment rate would rise by almost five percentage points, and its yearly GDP growth rate would rise by over half a percentage point.

The matter of concern is that when a relatively high degree of corruption is present in a particular government bureaucracy, it raises the likelihood of corruption in all other bureaucracies in the same government. What is interesting to note here is that, when everybody steals, individuals have little or no incentive refraining them from participating into such venture. Besides, the probability that one will get caught is low, this is because as everybody is now engaged in stealing, the law enforcement agency may be busy chasing other thieves, and, even if anyone do get caught, the chances of his being punished severely for a crime are usually low. Moreover, as members of the political party establishment bureaucrats have inroads to, and may even be part of, the law enforcement apparatus. Consequently, corruption continues and leading us further into loss of productive resources.

However, not all bureaucrats are corrupt, there are many honest persons in public agencies. Honesty, however, is a solitary virtue and if a person is not motivated to render his service in the 'system' he is simply moved to positions where they are rendered innocuous. For example, honest telephone operators are assigned to the day shift, when the lucrative European calls are not to be made. The real problem is not that there are no honest bureaucrats, but rather that there are sufficiently many dishonest men who are held together by the bond of self-interest and who act as a block when opposed by any single honest person (Rashid, 1981).

A popular misconception is that institutionalisation of bribery may motivate these non-satiated bureaucrats as bribery in this regard acts as an incentive for them. However, when bureaucrats start considering such income as a systematic part of their remuneration, this leads them to pursue bribery rather than carrying out their appointed duties. As a result, the system as a whole becomes increasingly inefficient.

Talking about strict enforcement of law to break this bureaucratic tangle is however a fallacy. A recent survey of Transparency International - Bangladesh (TIB, 2000) reveals that law enforcement agency, which includes police, BDR and Ansar and VDP, was found to be the most corrupt service sector in the public agencies. The law enforcement agency has mired with corrupt activities like abuse of power, bribery, embezzlement, nepotism and refusal to provide services or perform duties. Clearly, reforms in law enforcement agency should come first before advocating such department to subvert corruption in another.

Not in all departments of government agencies corruption is same, it may vary across different functions of the same agency. One may wonder why, usually, we do not pay any bribe while opening a deposit account at state-owned banks, but pay astronomical amount while demanding for a loan sanction. Or it is almost free of corruption when we buy stamps from post offices but pilferage of letters and packages is more common.

One plausible explanation for these corruption free transactions of deposit account creation or stamp purchasing could be competition. Usually, there exists several competing banks, each with multiple branches, or a post office can be found in every locality. Conversely, corruption is evident in passport office or in utility departments. Has absenteeism of competition in these services sector produced a relatively high level of corruption? Could be. It is of course not possible to supply these facilities like banks or post offices, but it is tempting to argue that that if anything matters for elimination of corruption in these sectors is competition.

Generally, there are few offices which issue passports and often they are located in big towns or cities. If passport office were open in every district of Bangladesh, one would at least expect the level of bribe to go down if not completely eliminated.

In United States, a citizen can obtain a US passport without paying a bribe. The likely reason for this is that if an official asks him for a bribe he will go to another window or another city. Because collusion among several agents is difficult, bribe competition among the providers will drive the level of bribes down to zero.

In spite of all these, Bangladesh economy is still functioning, although may not be at her full potential, but people still have hope for a prosperous country. This, however, is not a surrealistic hope. According to a World Bank (2000) study on the state of corruption that if Bangladesh is able to reduce its widespread corruption it could achieve some 2-3-percentage point of additional GDP growth and a double per-capita income.

It is the task of the incorruptible government to lead us to achieve such prosperity. Reforms can reduce the incentives for bribery and increase the risks of corruption. The goal is however should not be complete eradication of corruption but an improvement in the overall efficiency, fairness, and legitimacy of the state. Those, who take an absolutist position are likely to impose rigid and cumbersome constraints that increase, rather than decrease, corrupt incentives. The total elimination of corruption will never be worthwhile, but steps can be taken to limit its reach and reduce the harms it causes.

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