



BOOK REVIEW

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Title: Fighting Corruption in the Public Sector

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“Whenever alternatives exist, life takes on an economics aspect” (Mundell, 1968)

On the basis of over 4,000 publications on corruption, Transparency International (2001) reports that the distribution of subject area is: Politics and Public Administration 74 percent, History 10 percent, Law and Judiciary 9 percent, Economics 4 percent, Ethnography and Culture 2 percent, and Business and Ethics 1 percent. This small book by Jorge Martinez-Vazquez, Javier Arze del Granado and Jameson Boex of the International Studies Program in the Andrew Young School of Policy Studies at Georgia State University in the U.S. is the another example of literature that has contributed to the field of the economics of corruption, using the “economic analysis” approach to solving theoretical problems. The book is more or less textbook-like: all of the analyses and discussions are supported and clarified by relevant real-world examples and empirical analysis.

First of all and most important, when we hear of the word “corruption” many meanings come to our mind; but the one that is used in this book denotes corruption as “The abuse of public office for private gain.” There are no economic reasons to believe that people are born with the mentality to corrupt. Hence, a comprehensive and successful anticorruption policy requires addressing not only the motivations for corruption,

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but also the opportunities for corruption. The book also explains several conceptual models of corruption. Some conclusions from the empirical evidence show that the level of corruption that a public officer is motivated to engage in will be higher are: an absolute wage effect, a relative wage effect, the offer of the high bribe, low probability of detection and low penalty. From my knowledge, one of the roles of an economist is to qualify economic activities or to try to understand the magnitude of relevant issues that we need to pursue or address. This book summarized four effective techniques in measuring the extent of corruption, which can be divided into survey-based and non-survey-based measurements. The empirical evidence of each measurement can be read in the book and the reader will feel that corruption is measurable and controllable.

What about the cost of corruption? The book illustrates that the area that is affected very much from corruption and which is quite tangible for us is the quality of the delivery of public services. An example of corruption that decreases efficiency and raises the price of public services through several different channels is the decrease and distortion in the total funds available to finance public goods and services and the obvious example is in the procurement of productive inputs, which raise the price of publicly procured inputs and finally increase the cost of public services. Anecdotal evidence indicates that corruption in the public sector can increase the cost of services by 30-50 percent. As an economist, the simplest economic illustration of fiscal corruption is the imposition of extra costs on households and firms in the purchase of publicly provided services, with very similar effects to those introduced by a tax in the market for private goods. Yet people still do not take these extra costs into account or fight for their right to minimize them, especially in a democratized society.

This book stresses corruption as a global phenomenon and the comparison between countries and regions based on corruption indicators is subject to many limitations. The authors introduce some aggregate descriptors which can provide some fundamental insights into the extent of corruption in certain regions of the world. The two composite indicators are TI's CPI and Kaufmann's Corruption Control (CC). The authors also note that while these indexes differ in terms of the methodologies used to construct them, it is interesting that the rankings of the extent of corruption across regions are fairly similar. There is a great deal of information and knowledge in this section that is very interesting to the reader. For the sake of

brevity, we can summarize that the regions of South Asia, sub-Saharan Africa, and East Europe and Central Asia present the highest levels of corruption, while the Middle Eastern and North African, East Asian and Pacific, and Latin America and Caribbean regions experience relatively lower average levels of corruption; the lowest levels of corruption regions are, as expected, North America and Western Europe.

As we already know, anticorruption strategies should focus on the economic incentives and opportunities that induce government officials to engage in this type of behavior. When corruption is considered in the context of fiscal policy and fiscal administration, corruption can take three different forms. First, corruption can take place on the revenue side of the budget, as public resources are collected. Second, corruption can occur on the expenditure side of the budget, as these resources are spent in the delivery of services and the building of infrastructure. Third, corruption can occur outside the budget in quasi-fiscal transactions, such as the imposition of economic regulations or the financial operations of enterprises. This book provides detailed mechanisms of these forms then we may know how to combat them?

The book provides an overview of several programmatic responses that can be employed to curb corruption along the lines of the three different forms already mentioned above. First, programs should be implemented that reduce the motivations and opportunities for corruption and of programmatic response on the revenue side. Second, the program that reducing motivation for corruption, the opportunities for administrative corruption in government spending, the opportunities for political corruption and the programmatic responses to reducing corruption on the expenditure side. Third, we can reduce quasi-fiscal corruption by implementing programs such as the privatization of state assets, increasing the liberalization of markets and setting the right prices for public utilities and permitting appropriate levels of natural resource exploitation. Last but not least is decentralization, which brings governments closer to the people and can empower citizens to require more accountability from government officials, which should reduce the prevalence of corruption. Other programmatic responses to corruption include establishing an anticorruption commission or “Anticorruption Bureau” strengthening the legal framework, strengthening the role of civil society and the private sector, and constantly monitoring and evaluating anticorruption systems.

The book contains 7 chapters, organized as follows.

Chapter 1 presents an overview of the issues involved in corruption, the current state of anticorruption commitment, and the definition of corruption used in this book.

Chapter 2 presents a theoretical framework of the economics of corruption by addressing several issues. First, the authors present corruption as an economic phenomenon, arising as the product of individual conscious decisions within a given institutional environment. Second, the authors discuss the methodological challenges regarding the measurement of corruption, as well as currently available measurement resources. Third, the authors review the current state of knowledge regarding the costs that corruption imposes on society.

Chapter 3 presents a region-by-region overview of dominant corruption issues around the world.

Chapter 4 describes the forms that corruption might take as a result of poor fiscal policy and fiscal management practices. This description and categorization of the different forms of corruption constitutes the first necessary step in identifying policy issues and in suggesting remedies. The analysis is focused on three fiscal areas: expenditures, revenues and the quasi - fiscal sector. The discussion in the book also identifies the determinants of corruption within these areas by making a distinction between the factors affecting incentives and those affecting opportunities for corruption.

Chapter 5 presents potential solutions based on practical anticorruption policies and reforms for each of the issues identified in chapter 4.

Chapter 6 provides an in - depth case study describing policy responses to fiscal-related corruption in Tanzania.

Chapter 7 presents some concluding thoughts on how to address the problem of corruption through reforms in fiscal policy and fiscal management.

In sum, this book assesses the current state of knowledge and contributes to our understanding of how fiscal policies and management interact with corruption issues by integrating concrete and practical issues with the theoretical and quantitative analysis of corruption, which not only points out the problems, but also the potential solutions for a broad range of fiscal policy and fiscal reform issues. Despite the fact

that corruption is a complex and widespread process, anecdotal cases of success and country-specific examples prove to be quite useful in identifying key issues or as a valuable lesson in minimizing corruption. According to the authors' views, corruption is neither part of a predetermined destiny nor is it necessarily ingrained in some cultures; rather, corruption is an issue that can be addressed, and fighting corruption is possible and worth doing.

My opinion regarding this book is that it is highly original and discusses much of the current knowledge in the field of the economics of corruption. The book is not easy to read but will satisfy people who would like to gain deeper insight into the "playing field" of the corruption mechanism in the public sector.

References

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