

Corruption in Europe and Beyond

4 – Dysfunctions of Corruption and its Reporting

Economic - 1

- ◉ Decreased revenue to state (and flat-rate income tax systems – many post-communist states, plus Iceland, Iraq, Mauritius)
- ◉ Decreased investment, esp. by foreign companies (problem of capital flight)
- ◉ Increased problems of access to international 'clubs', notably the EU
- ◉ Decreased aid
- ◉ Reduced competition (protectionism)

Economic - 2

- ◉ Related to reduced competition – higher prices and costs
- ◉ Related to reduced competition – reduced choice
- ◉ ‘Brain drain’
- ◉ Declining motivation – economic effects

Social - 1

- ◉ Greater sense of 'them' and 'us' – both vertically and horizontally
- ◉ Related to this, can increase inequalities (and poverty) – but not relating to merit; poverty can result in threats to health and well-being – a longer-term negative effect of the ramifications of corruption
- ◉ Distrust of the state and other citizens can result in a 'return to the family', which in turn can lead to increased attachment to kinship

Social - 2

- ◉ Sense of insecurity can increase – both among citizens and officials nervous about the reach of investigations
- ◉ Can help to create a ‘middle class’ (bourgeoisie) based on illegitimate income
- ◉ Greater danger of accidents, building collapse, etc.
- ◉ Reporting can increase citizens’ sense of disappointment, even despair

Political - 1

- ◉ Increase inequalities between political parties, and reduce party competitiveness
- ◉ Render upward mobility channels more difficult to negotiate by talented but uncorrupted officials and politicians
- ◉ Increase unfairly the power and influence of individual officers of the state
- ◉ Accusations by one party or politician can attract counter-accusations

Political - 2

- ◉ Increase dissatisfaction, lead to mass unrest
- ◉ Despair and disappointment can lead to increased attractiveness of extremist politicians promising to eradicate corruption
- ◉ Weak state because of low revenues – many knock-on effects
- ◉ Irresponsible reporting can make people suspicious of the ‘watchdog’ role of the media, which can have negative impact on the development of civil society

Legitimacy

- Especially if citizens do not distinguish clearly between the **system** and the **regime** (and they typically do not in most transition and developing states), too much corruption and its reporting can make people lose faith not only in marketisation, privatisation and democratisation – but also the rule of law.
- This point *does* also apply to Western states

International

- ◉ Dangers of corruption-related smuggling
- ◉ Spread of transnational organised crime groups (gangs) can be facilitated by corrupt officials
- ◉ Increases in insurance premia
- ◉ May be 'encouraged' to be more tolerant of corruption if the highly corrupt country has nuclear weapons or commodities (e.g. oil) on which less corrupt countries are dependent – impact on human rights, democracy, transparency, etc.