

Corruption through Political Practices and Institutions

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Abstract

The main aim of this article is to look at how corruption takes place through democratic practices and institutions, and their particular features, with the intention of considering their negative effects with respect to encouraging corruption. In addition, possible alternatives for such institutions are examined as well as their advantages and shortcomings for democracy, in order to detect if the existing practices are a “necessary evil”, or whether there are other means that could reduce and/or abolish corruption. After examination of the effects of lobbying, campaign finance laws, and electoral systems and their alternatives, it is concluded that such institutions and practices are vital for democracy, as their absence or eradication would put the democracy itself in jeopardy. However, only certain changes within such institutions can be taken in order to decrease the possibility of corruption without causing harm to democracy.

Keywords: Corruption, Democratic Practices, Democracy

Introduction

There are different views on the concept of democracy as there are different views of corruption, where the latter is defined as “the abuse of public roles (office) or resources for private gain” (Johnston, 1998, p. 174), whilst there are also as many views on the relationship between them. It is considered that more democratic and greater developed countries are less prone to corruption

(Treisman, 2000). However, this statement is not completely reliable (as corruption is still a hidden phenomenon) and such a theory is not supported by a statistically unambiguous statement on specific aspects or differences between countries. The relationship between the democratic system of government and the ability of citizens to hold elected representatives accountable is similarly not straightforward. In practice, citizens struggle to control the corruption of people in power through elections or other such forms of democratic participation. Due to this, corruption within democracies can be perceived as a form of exclusion conducted through democratic institutions and practices, preventing citizens from making decisions that will ultimately affect them. This article examines the areas in which the citizen decision-making process suffers from corrupt activities, and consequently undermines the democratic order itself by creating exclusion. The first section points out the globalization phenomenon as a root for the appearance of corruption under democratic institutions and practices. The second considers the problem of lobbying, defined as “a form of legislative subsidy - a matching grant of policy information, political intelligence, and legislative labour to the enterprises of strategically selected legislators” (Hall and Deardorff, 2006, p. 69). The next section highlights the issue of funding political parties (permissive campaign finance laws). Lastly, the final section raises question over how corruption depends upon electoral systems, which, according to the findings of McCann and Redlawsk (2006), are perceived by the public as the least corrupt activities. Whereas lobbying and funding of political parties should be examined on an individual level, in so much as they are the vehicle of formation and promotion of citizen’s political preference, the electoral system should be regarded on an aggregate level, containing the rules on how the formatted preferences are cast, embodied by the government of the state. The main aim of this research is to evaluate the effect that corrupt activities have upon democracy, alongside possible alternate solutions and the efficiency of their implementation, concluding that such democratic practices and institutions are a “necessary evil” for a democratic regime.

Globalization and the Decline of Authority in Governments

The phenomenon that helps to explain how corrupt activities take place under democratic systems of government can be explained from the following perspective. Electoral democracy is arranged and designed in a way that implements policies for a clearly defined territory, along with the irrefutable approach that elected governments are supposed to be accountable to the electorate.

However, in the context of economic globalization, the ability of democratically legitimised state power to create laws and implement policies within their state is reduced (Das and DiRienzo, 2009). Meanwhile, as the ability of governments and parliaments to implement their own policies has been steadily declining as a result of globalization, democratic decision-making processes have gradually become subject to erosion by transfer of responsibilities to administrative, regulatory, and specialised institutes of authorities. These "guardian" organisations are characterised by a large degree of autonomy and professionalism, but also lack public accountability and control (Rose-Ackerman, 1978), making them potentially dangerous from the standpoint of oligarchy and corruption. As a result, the on-going process of globalization exists at the root of how corrupt activities can take place under democratic norms without violating the law, but undermine democracy itself. Identifying the source of the problem can help to abolish the erosion of democratic norms, and strengthen institutions in order to minimise the harm of corruption.

Lobbying and Interests of Corporations

Democracy, as well as social decisions, increasingly becomes a matter of relations between political institutions and economic power, and less representative of the relations between citizens and elected representatives. Some researchers propose that "lobbying and corruption are substitutes" (Braddon and Hartley, 2013, p. 173). It is distinguished according to the level of development, meaning that corruption tends to occur when the level of development is low, whilst such activity can be translated into lobbying when the level of development is sufficiently high (Harstady and Svensson, 2009). Moreover, regardless of the development of the state, lobbying tends to be a much more effective instrument for political influence than corruption (Campos and Giovannoni, 2007). Many thousands of organisations lobby to influence, as evident in the policy of the European Union and at the level of national parliaments of many European states. However, unlike the U.S. or Canada with their historical traditions and legal norms of lobbying, lobbying in Europe is not regulated and therefore is perceived as secret, suspicious and dubious.

Klaus Beckmann and Carsten Gerrits (2008, p.1) argue that if we compare the effects of corruption and lobbying as alternative modes of rent-seeking activity, the latter is worse as lobbying represents

wasteful, directly unproductive activity¹, “reducing social welfare relative to the corrupt status quo”, if corruption is fought. However, such claims can be considered invalid; lobbying itself is a legal action and does not contain an explicit corrupt deal that carries the informing of selected representatives. In other words, it creates a bridge between the electorate and those who were elected, acquainting them with the opinion of certain segments of the society. Moreover, plurality of interests is one of the main principles of a democratic society (Dahl, 1989), where people are free to organize and promote their interests in the policy creation process. Corporatism represents one of the ways in which interest groups are involved in the policy-making process that is institutionalized in many European countries, together with lobbying, another widespread phenomenon. This is why the lobbying itself should not be regarded as a type of corruption, as it is a legal form of influence technology.

However, it is possible that the outcomes of lobbying may represent corrupt activity. The problem is hidden within the fact that, when considering the presence of lobbying, policy-making processes might be influenced only by certain (particularistic) interests that are promoted by interest groups. Such ideas do not necessarily represent the preferences of the whole public, or at least its majority. On the other hand, the provision of arguments by interest groups in a persuasive manner, exchanging for a certain favour out of policy, does not seem unconvincing since it is an unequal exchange. As conventional wisdom suggests, regular corruption scandals in the U.S., European Union and other countries at the highest level where prominent lobbyists and government officials are implicated, presumes the possibility of bribery that resultantly corrupts the nature of lobbying. This is where the notion of Legislative Subsidy (Hall and Deardorff, 2006) comes from, as lobbying is somewhat a subsidy for entrepreneurship of legislator, requiring a high position of legislator and aiming not to convince him or her, but to instead subsidise the resources of those legislators, whose preferences are shared with interest groups. Nonetheless, the alternative proposes to ban lobbying activity, which would harm the democracy in a more severe way than lobbying itself, potentially being perceived as a disregard of the human right of self-expression and determination. Whilst

¹ Directly unproductive profit-seeking (DUP) activities are defined as ways of making profit (i.e., income) by undertaking activities that are directly (i.e., immediately, in their primary impact) unproductive, in the sense that they produce pecuniary returns but do not produce goods or services that enter a conventional utility function or inputs into such goods and services. See Bhagwati, Jagdish N. (1982). *Directly unproductive, profit-seeking (DUP) activities*. The Journal of Political Economy, pp. 988-1002

democracy promotes a right to be involved with the decision-making process, especially if the person is directly affected by the authority's decision, this would undermine popular participation.

Funding of Political Parties

Elections and competition between political parties also conform to the main features of democracy, the competition of candidates for political offices and of political parties for votes being at the heart of the democratic process. In addition, political parties play a major role in the concentration of the political will of citizens, through the nomination of their candidates in the elections; this is why it is believed that democracy is impossible without political parties (Dahl, 2000). Financial sources are vital in order to ensure the existence of political parties, as well as participation in the competition of political ideas and positions during election campaigns, to mobilize the potential electorate. In a competitive atmosphere of democracy, it follows that political parties and candidates feel the constant need for funds (Kallen, 2009). Consequently, political competition becomes less centred upon the competition of ideas and ideologies, and more upon the economic component. This creates a noticeable imbalance since the parties become increasingly dependent on external financing, and accordingly, drift away from their electorate and become more vulnerable to corruption and undue influence. Despite the political system or the system of parties and their ideological orientation, political corruption ensuing from party funding is a constant problem; almost every European democracy faced a serious problem of equitable division of funds and their adequacy for parties (Sorauf, 1992).

There are several ways for political parties and electoral campaigns to be financed. In addition to membership dues and state aid, an important (and often controversial or scandalous) role is played by private gifts and donations. However, the problem of private donations and gifts as funding for campaigns and parties increases in importance and topicality, as in many countries there is a steady decline in membership of political parties (Bartle and Bellucci, 2009). Unregulated funding of political parties carries risks, such as an increase in political nervousness. For example, the principle of "one man - one vote" is a subject to question due to possible unequal financial contributions. This idea is challenged by Ortiz (1997), who introduced the concept of democratic paradox of campaign finance reform. The main principle concentrates on the concept that any kind of economic

inequality among candidates, or in other terms different financing possibilities possessed, do not influence their success in the elections. Any voter in a properly functioning democratic regime votes according to independent judgement. This puts the civic capabilities of the voters on the agenda, but not the possible sources of funding for the parties.

Furthermore, the risk factor is hidden in the perception that money transferred to the political parties, such as private donations, helps to buy access to state institution or officials if elected. Although, such funding does not directly "buy" a policy, it creates a link to those in power who possess an ability to affect the policy or decision-making process (Johnston, 2005). As previously mentioned, in such a scenario elections cease to be a competition of political programs and ideas, but become increasingly dependent on the success of the candidates and parties in finding sponsors. This leads to the race of populism and propaganda, pushing political debate by the wayside. Consequently, political parties and politicians risk being co-opted to represent particularistic interests and not the interests of the public, undermining basic democratic principles. Finally, unregulated financing of political parties can be regarded as not fully transparent and some funding of political parties is openly illegal and corrupt in their nature; such as sponsorship from illegal sources, or receiving (or requiring) gifts or sponsorship in exchange for services, orders, or a change in attitude of state institutions (Malbin, 1980). Such practices undermine the trust of citizens as there is no guarantee of fair representation, and as a result, their participation in the democratic processes decreases.

A ban on private donations could be suggested as another measure. However, this would undermine democratic legitimacy; private donations to political parties or specific election campaigns have their place in the legal field, as they represent an important segment of participation in political life, being a means of political expression in a democratic society where citizens have the right to lobby their own private interests. Although these so called forms of "legal corruption" (La Raja, 2008) do not seem completely transparent, their eradication would raise questions concerning democracy in a state itself.

The changes in campaign finance laws are commonly established due to corruption scandals as they happen in Western Europe. As an alternative to unregulated private donations, some countries

(and three quarters of all European countries) have introduced a regulated system for campaign financing, in which political parties are required to publish information on the sources of some, or all, without the exception of gifts and donations (Smilov and Toplak, 2007) for an increase in transparency. However, the drawback of such an approach is concentrated on the probability that such regulations can be used in order to control the opposition parties. Moreover, revealing this information and publishing sponsors exposes the political positions and preferences of both individuals and companies, and this can lead to repression. Regulations themselves may limit participation and adherence to democracy, while new or weak political parties can be extruded from the arena of political life (Cutler, Cohen and Witten, 1986), although they represent some sectors (segments) of population. A radical option of abolishing any kind of control over the funding of parties could be successful, but only in countries with a traditional approach and the case-law system, such as Britain (where there is no direct state funding of political activity), and Ireland (Lees-Marshment, 2008). In these countries the legal system has evolved without disturbances and interruptions, and this has contributed to the occurrence of a high level of legal and political culture that does not require a clear definition by law, and is based on precedents, customs or morals, and cultural and ethical norms. As a result, a high level of legal and political culture appears more effective in terms of producing an anti-corrupt atmosphere, rather than enforcing strict regulations and punishment.

The final possible option would be to establish a mixed system of private and direct or indirect state funding of political parties, in order to reduce their dependence on private sponsors and balance the position. Therefore, it is very important to notice that the purpose of any regulation is not to control political life, but to support democracy. Policies on funding the political parties serve for the democratic development, not by setting the fight against corruption as the main goal, but as a support and improvement of open political competition among strong and responsible parties. Providing core funding and participation for private interests of individuals and groups in the funding of political parties and the political process as a whole, is a vital aspect of democracy building. All aspects mentioned above demonstrate the need for an equal balance between providing sources for political campaigns and control over corruption.

As an illustrative example, two main political parties in Mexico (National Action Party and Institutional Revolutionary Party) were convicted of receiving opaque funding for political campaigns. Nonetheless, according to the Mexican public opinion, "the real scandal [was] not the money the parties may have raised on the side, but the huge amounts they [were] given up front from public funds" (Campaign finance in Mexico, 2003). Concern was raised over the fact that 90% of money required for campaigns came from taxpayers, and only one tenth from private sources. Such regulations are designed to avoid money from illegal drug businesses entering the political life and decision-making process. However, the problem with campaign money coming from taxpayers lays in the fact that such money "keeps alive a number of small parties that have no other apparent life" (Campaign finance in Mexico, 2003). As a result, Mexican campaign funding rules illustrate the problems described above, noting that both private and public campaign funding possess a threat to the transparency of elections and consequently, the validity of their results and effectiveness in terms of representativeness and purposeful money expenditure, respectively. Moreover, even if the mixed funding system were present (as in the Mexican case: 90% for public and 10% for private funding), the problem may not be solved. Thus, the question regarding the proportions of private and public funding allowed is raised as is their appropriateness, according to the specific country's features that conclusively determine the success of the funding scheme chosen.

Electoral Systems

Elections are the main mechanism in a democracy allowing citizens to participate in politics by choosing their representatives, through party identification and self-expression in the voting process. For example, majoritarian and proportional electoral systems contain different electoral formula (the way in which the votes are translated into seats), ballot structure (Closed-list or Open-list) and district magnitude (low and high). Academic literature proposes different arguments in favour of either proportional or majoritarian (Faller, Glynn and Ichino, 2013) systems in terms of the higher levels of corruption they possess.

Despite some shortcomings of the majoritarian system, such a system is regarded as more accountable in comparison to the proportional system, as voters are directly linked to the elected

officials, thus helping them to impose the responsibility on certain politicians for corrupt behaviour (Torsten, Tabellini and Trebbi, 2003). As for proportional representation, scholarly findings vary concerning the different ballot structures used. For instance, how do we know that candidates in Closed-list were chosen without the help of corrupt means? One possible solution would be to provide rewards and positions within a party to the bureaucrats as an exchange for information on corrupt behaviour of party leaders (Gingerich, 2009). Such a claim is supported by Vincenzo Verardi (2004, p.8), who stated that politicians' position in the Closed-list ballot depends on "the preferences of the leader of the party", which gives a basis for interparty competition and possibility of corruption. Nonetheless, such an approach is challenged by Chang and Golden (2006) who find that proportional representation provides a higher risk of corruption in Open-list systems compared to Closed-list; however, only if District Magnitude is taken into account. Following on from this, an increase in District Magnitude (more than 15) under Open-list in the proportional system corruption increases, but decreases under Closed-list with high District Magnitude. However, if the District Magnitude is low (below 15), Closed-list ballot structures tend to be more corrupt.

In addition to this, Myerson's (1993) game-theoretic analysis, that explores the effectiveness of different electoral systems for reducing government corruption, confirms the notion that proportional representation is more effective in fighting corruption. Simultaneously, plurality voting is "partly effective" due to the more vulnerable strategy for every individual to cooperate with like-minded voters, whereas the initiative to fight corruption is low. At the same time, Myerson concludes that Borda voting² tends to be absolutely ineffective, as regardless of whether corruption is present in a party, affirmative voters may divide their support among several affirmative parties. Moreover, Borda voting guards vote share of corrupt parties, as the voters give their preference to a number of parties. Proportional representation and approval voting possess similar effect: they equip the voter with the freedom to choose noncorrupt parties or join like-minded allies. It creates a zone of competition for the parties that are similar in their manifestos, but differ in corrupt behaviour, where voters are predisposed to choose the latter. As a result, the

² Each voter ranks the m candidates. A candidate receives a score of $m - k$ for appearing in k^{th} place. The candidate with the highest aggregated score wins the election. See Davies, J. (2011). *Complexity of and Algorithms for Borda Manipulation*. Association for the Advancement of Artificial Intelligence.

noncorrupt parties receive the majority of the votes, which leads to the establishment of noncorrupt government.

Conclusion

In summary, despite the shortcomings listed above, democratic institutions and practices such as lobbying, funding of political parties and electoral systems are a “necessary evil” within democracy. Regardless, such practices possess high opportunities for corrupt behaviour due to their institutional features. The proposed alternatives possess a more serious threat to democracy and its main principles, as most of the alternatives (as in lobbying cases) disrupt the citizens’ right for self-expression and political participation, resulting in the whole system becoming less accountable and efficient. As a result, some anti-corruption measures can themselves cause political disputes (with allegations of corruption being used as a tool against political opponents), or even become a way to limit civil rights and liberties. Nonetheless, certain tools for controlling lobbying and funding of political parties (mixed system of financing) can help limit the influence of the private sector on the political life, and ensure the viability of the politics. As for electoral systems, proportional representation is the least corrupt form and in a presence of high District Magnitude, Closed-list ballot structure should be chosen in order to prevent corrupt behaviour (the same corruption reducing effect is presented for approval voting), whereas proportional voting with low District Magnitude should be based upon Open-list ballot structure.

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