

The Political Economy of Public Choice and Corruption: Cost-Benefit Analysis

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Abstract

The concept of corruption is one of the discussed concepts in the social sciences literature. There are various studies that have argued that corruption undermine development, but less emphasis has been placed on the benefits of corruption to the development of human society. This study engages in the cost-benefit analysis of corruption within the framework of political economy of public choice. This study employed the descriptive research design with data collected from secondary sources such as textbooks, Journals and other internet sources while content analysis was used to analyse the data collected. It is argued here that despite the negative consequences of corruption to human society, there are instances where corruption is required to lubricate commercial activities. This explains the disparity in what constitute corruption from one society to the other. Furthermore, this study recommend that Global North countries should formulate and implement national policies that will ensure that stolen funds are returned immediately they are received from the country where these funds are looted. Lastly, the interest accrued from past stolen funds deposited in Western societies bank be repatriated to their countries of origin, in addition to the main funds laundered. As funds kept in their countries of origin will also generate interest, though may not be higher than the interest from western societies but will add value to the country-of-origin economy. Thus, gives developing countries some levels of confidence that the developed societies commitment to the fight against corruption.

Keywords: Corruption, Economy, Development, Underdevelopment, Public Choice

Introduction

According to Marxist view of human society, life consist of unity of opposite. For instance, the opposite of man is woman, light is darkness, white is black and so on and so forth. The study of the unity of opposite has gain popularity among scholars in recent years because of the interrelationship between two opposing phenomena. Again, as the rich cannot do without the poor so the poor cannot do without the rich. Thus, opposing phenomena exist and does not exist in isolation of each other.

However, in literature of social sciences and by extension in the media, a lot have written and spoken on the negative impacts of corruption on human society with less emphasis placed on the positive aspects of corruption. One fundamental question we must ask is, "Is corruption beneficial?" if it is not beneficial, why are people engaging in corrupt practices? however though, very little studies have been conducted on the benefits of corruption in the literature.

It is pertinent to note that, corruption has been present in most economic activities as it sometimes serves the purpose of facilitating trading activities (Shively, 2008). To this end, the growth and development of corrupt practices all over the world have been sustained as nations are undergoing rapid socio-economic and political changes that affect human behaviour. Today, corruption has become one of the most enduring patterns of economic activities that is producing results that are arguably rewarding to some people and hurting to others. Nevertheless, in recent times, international organisations such as the United Nations, African Union, Organisation for Economic Cooperation and Development (OECD), European Union and host of other international organisations have developed frameworks for curbing corruption like the United Nations Conference against Corruption (2004), African Union Convention on Preventing and Combating Corruption

(2003) among others that have help create the desired conditions for partnerships among states and other sub-state actors to combat corruption. Despite, the adoption of the various international instruments in combating corruption. Today, many developing countries especially in Africa such as Nigeria, Senegal, Mali, Burkina Faso, Niger among others hitherto identified some developed countries like Britain, USA, Belgium, Switzerland and France among others as suitable destination for the safe keep of corrupt proceeds, despite the existence of stiffer anti-corruption laws in most developed countries.

Though, there has been collaboration by states and non-state actors like international NGO's and anti-corruption groups such as Transparency International and Global Integrity, among others in the fight against corruption. One benefits of this collaboration is that it has led to the development of a website known as www.fightingcorruption.org, a comprehensive resource for collective action against corruption that will promote transparency, integrity and accountability. It is against this background this study engages in cost-benefit analysis of corruption within the framework of political economy of public choice.

Conceptual Review: Corruption

The concept of corruption has been a contestable term in the social science literature. This is because corruption is in the eyes of the beholder (Momoh, 2013). There is no fixed and final definition of corruption, what is obtainable in the literature is only suggestions of what corruption should imply in a particular context has been made by scholars. Thus, it has provided a platform for scholars to contend on what constitute corruption and what does not constitute corruption.

For instance, Political Scientists, Sociologists and Economists have attempted to defined the concept within the purview of their discipline. A political Scientist Johnston (1986) defined corruption as “a symptom of more deeply rooted problems in the society's structure related in particular to the means of attaining and maintaining power and the weak or non-existent safeguards against its abuse”. Shihata (1997) an economist defined corruption as a situation where the benefit to a corrupt agent of acting against the expectation of a principal outweighs the cost, or where a public good, service or office is sold for personal gain. Deflem (1995) a Sociologist defined corruption as a “social relationship” in patron-client terms, a form of “patrimonialism” or an indicator of a dysfunctional society.

Today, the concept of “Corruption” is contested both theoretically and politically and is inherently both a complex and ambiguous concept in the social sciences literature. It occurs at the individual, family, community or national levels. The Dictionary of Social Sciences (1964) provides a relatively straightforward but comprehensive definition of corruption: as “the use of ...power for ...profit, preferment, or prestige, or for the bereft of a group or class, in a way that constitutes a breach of law or of standards of high moral conduct” (cited in ActionAid, 2015: 16). Besides, Momoh (2015) sees corruption as any act by a person or group persons that deprive a person or group of persons from benefiting or having access to the collective good of an association, organization, community, society or a country. In short, corruption according to Momoh implies depriving others for ones benefit without minding the consequences of such action or inaction.

Literature Review

There is a growing research on corruption studies in the literature that cut across various field of human endeavour. For instance, Brada et al (2012) undertake study on corruption from Economics perspective. Mijares (2015) study on corruption is situated within the legal profession. Everett et al (2007) research was situated within the accounting profession while Pantzalis et al (2008) study was situated within the purview of finance.

However, the expansion of corruption studies has led to the development of three viewpoints on corruption. According to one viewpoint, corruption has a detrimental impact on the advancement of human society. Thus, it must be despised by all. While the second perspective holds that corruption is beneficial to some people or classes in society. The second viewpoint contends that this explains why corruption has persisted, especially in developing societies. The third point of view attempts to strike a balance between the first and second points of view.

Moreover, in the literature of corruption, studies have shown that corruption has negative consequences on human society such as Nye (1967), Huntington (1968), Van-Roy (1970), Lapalomara, (1978), Charles (2006), Ojo (2007), Shively (2008), Hanson (2009), Crossroad Magazine (2012), Siollun (2013), Kwasau (2013),

ActionAid (2015), David-west (2015), Ishowo (2015) and Momoh (2013, 2015, 2018, 2020) just to mention a few.

However, there are limited studies on the economic benefits of corruption in the literature. According to research, corruption leads to tax policies that disproportionately benefit wealthy people and judicial systems that make it easier for only the corrupt to amass wealth (Glaeser et al., 2003). Though, earlier studies conducted by Huntington (1968) and Leff, (1964) have shown that corruption is seen as a less desirable alternative to the rule of law. Again, Osterfeld, (1992) have argued that corruption allows people to get around onerous regulations while, scholars like Sarte, (2000), Maeon et al (2005) and Maeon et al (2010) have argued that corruption creates employment opportunities for those who cannot afford the high cost of operating in full compliance with the regulations of the formal economy. From the above review of literature, there is gap in the cost-benefit analysis of corruption (perspective with mixed feelings on corruption: corruption is beneficial as well as injurious) as it relates to African countries and the developed countries of the world. It is against this background; this study seeks to make contributions to this research area.

Theoretical Framework

Over the years, social scientists have developed a number of theories to the study of corruption such as bad apple theory, Corruption Virus Theory, General Equilibrium Theory, modernization theory, Essentiality theory, Sacred theory, degeneration theory, pre-recreation theory among others. However, the public choice theory is considered appropriate for this study as its emphasis cost-benefit analysis of corruption. The public choice theory of corruption states that, “actions of corrupt officials are caused by a rational, conscious and deliberate weighing of the process of an individual” (Graaf, 2007:47). This is synonymous to decision theory organization sciences (Graaf, 2007).

The public choice theory of corruption is based on individual volition to take dishonest action. According to the public choice theory of corruption before an individual take any decision, he or she engages in cost-benefit analysis of the decision to be taken. By so doing, they weigh the cost and benefit of their action, if the cost outweighs the benefit, they forfeit the action or decision but if the benefit outweigh the cost the embark on it. This could be likened to Demas, one of the disciples of Apostle Paul in the Bible who at a certain point under the mentorship of Paul deserted him for his love for worldly things, as he engages in cost-benefit analysis of following Paul and seeking worldly things. His decision, was informed by the benefit, he anticipated from seeking worldly things as against godly things which Paul wanted him to seek. Lastly, Graaf (2007) credited the originator of the public choice theory of corruption to Rose-Ackerman (1978), who asserts that public officials are corrupt for the singular reason, that they often calculate that the cost- benefit of corruption, which in most cases the benefit exceeds the potential cost.

Political Economy of Public Choice and Corruption: Cost-Benefit Analysis

States all over the world are beginning to implement laws and set up institutions that will help them combat corruption in their respective domain. However, despite these efforts by states to curb corruption, corruption is still rearing its ugly head in many countries of the world. On one hand, while some states are winning the war against corruption others have been struggling in curbing corruption. To this end one is forced to ask. “Why is it that despite the existence of stiffer legislations and anti-corruption institutions, some states find it difficult to curb corruption?” Although, a lot of reasons have been advanced for the inability of developing countries especially in Africa finding it difficult to curb corruption. Besides, a number of factors such as lack of political will, weak institutions, poorly designed anti-corruption laws, amongst others have been attributed to persist nature of corruption in these societies. Though, the economic cost of corruption is often relegated to the background in most of these studies (Momoh, 2013).

Thus, there is a growing number of scholars and researchers who are taking a second look at the economic benefits of corruption as they are not convinced in absolute term that corruption is outrightly bad, but can serve to have some good purposes for those who engage in it. Lapalombara, (1974) has strongly argued that the argument that corruption has negative consequences can be “challengeable both in theory and in practice” (Lapalombara, 1974:415). It can be argued that one of the reasons why corruption is till endemic especially in developing countries is that most leaders, especially in Africa, still make fortune out of corruption. In this instance, the benefits of corruption outweigh it cost. On the contrary, one of the major reasons for curbing

corruption is that it impeded economic growth and development. Therefore, curbing corruption is seen as a desideratum for economic development.

Today, the dimensions of corruption in contemporary times are extremely vast to include economic, political, social, legal, institutional/bureaucratic, religion, etc. Thus, the vast dimension of the corruption in recent years has engendered debate among scholars on what constitutes corruption and what should not constitute an act of corruption. For instance, Lapalombara (1974) have argued that the cultures across the world have words to describe corruption, some of which he posits are quite colourful, to describe corrupt practices. In Asia for instance, citizens pay "baksheesh", whereas in Italy, the citizens pay "La bustarella" the little envelopes, across or under the table. In Spanish - speaking countries, the citizens pay "La mordida", literally the "bite" public servants take in exchange for favours. In India, the citizen pays "speed money", in many African countries especially in Nigeria, we often hear of "dash". Furthermore, Lapalombara added that English language is endowed with concepts used to describe corrupt practices such as five - per center, payola, influence peddler, graft, grease, rake off, bribery and kickback, to describe the various forms of corruption that exist in various parts of society.

Again, one of the reasons why the fight against corruption is difficult for many countries of world especially developing countries like Nigeria, South Africa, Egypt, Angola, Cameroon, Mali, Senegal, Morocco, Kenya among others in recent years is because, there are acts engaged by citizens that constitute an act of corruption that may not be considered as an act of corruption in another country. Pujas et al (2002:740) have argued that the illegality of 'corruption' varies from one society to another because what may be considered acceptable in one society may be rejected in another society and vice visa. For instance, an act of nepotism or shameless patronage in country like Britain or USA might be considered fair or even a moral duty elsewhere. It is within this content of analysis that corrupt practice like kickbacks, bribery and fraud as scandalous. Besides, many societies that modernize and democratize in contemporary times tend to move, albeit unevenly, through different phases of perception.

Gunnar Myrdal, a famous Economist in his work titled *Asia Drama: An Inquiry into poverty of Nations* (1968), is one of the ardent critics of corruption. He argued that the failure of Asian social scientists to treat the subject matter of corruption with ultimate seriousness has re-enforced corruption in Asian countries. Gunnar Myrdal condemned corruption in Asian countries in strong terms. Again, Myrdal (1968) who argued in support of the economic importance of corruption, has not backed their argument with evidence that corruption is bad. As Lapalombara (1974:415) puts it, Gunnar Myrdal "strongly condemns the 'folklore' that corruption is essential to entrepreneurial activities in Asia during the time Myrdal undertook his study of the causes of poverty in Asia. Gunnar Myrdal further argues that because of the lack of scientific information, policy makers' approaches and measures to curb corruption in Asian countries turn out to re-enforce the status quo.

Myrdal, (1968) further argues that the incidence of corruption in Asian countries was higher than most western societies. Although, it can be argued that there is remarkable progress in the fight against corruption in many Asian countries like Singapore, Malaysia, South Korea and China just to mention a few. However, based on annual reports from Transparency International and Global Integrity over the past one decade, there is a drastic decline in the level of corruption in most Asian countries when compared to many countries in Africa. This has arguably been attributed to lack of political will, weak anti-corruption institutions and legislations among others.

Lapalombara (1974) remarked that:

One writer notes, for example, that governments do not necessarily or always have the correct solutions to problems of development. Corruption, as a mean of decision making is not inherently inferior to other methods, and may be superior. Where funds secured by corrupt means are diverted into investment (and away from consumption) this may well represent a net gain. Where public servants are badly paid- the typical situation in many countries-opportunities for corruption may actually attract highly qualified persons who would otherwise shun such employment (Lapalombara, 1974:415).

Nepotism has been identified as a form of public works, featherbedding as a method of dealing with unemployment. Besides, corrupt practices may ease the transaction from traditional to industrial work and social pattern. It can also be argued that it helps in easing the tension between politicians and bureaucrats by

bring them together in order to chart the course of nation-building.

Nathaniel Leff, in his work titled: *Economic Development Through Bureaucratic Corruption* (1964), argued that corruption has a positive impact on economic development of any nation especially when it can be used to overcome bureaucratic redtapism, or bureaucratic bottleneck, or bureaucrats who are hostile and politicians who are indifferent to economic growth and development (Leff, 1964:8-14). Lapalombara (1974) has argued that corruption, in the context of Leff (1964), is not merely a hedge against bad public policies but as a tool for economic innovation and change. Similarly, Leff, (1964) asserts that corruption may be an effective policy system for breaking up deeply entrenched social and economic pattern in a particular country.

Again, Lapalombara (1974) rightly observed that:

...how rapidly would the economic development of western nations have proceeded had there not been corrupt collusion among private entrepreneurs, elected officials, and public administrator? Examples of this abound in every western country, from the creation of railroads in America to the building of steel mills in Italy under circumstances which, if practiced today, would require jailing hundreds of persons in the private and public spheres. Leaders of developing countries who claim that those who urge them to wipe out corruption are, witting or not, inviting nation-building disaster are probably correct (Lapalombara, 1974:416).

From the above analysis of the cost-benefit analysis of corruption within the framework of the political economy of public choice, our position in this study is that despite voluminous literature on the negative consequences of corruption. The positive impact of corruption especially to the economic development cannot be disputed theoretically and practically. At the theory level, the public choice theory examines the cost-benefits analysis of individuals who engages in corruption, as it remains elegant in explaining, prescribing and predicting the nature of corruption and justify the reasons why corruption has remained unabated despite local and international community interventions. At the practically level, curbing corruption will be difficult because of the benefits it accrues to the benefactors. This explains why monies launder oversea are kept in foreign banks and interest in such monies are used to improve the economies of such societies. Again, this explains why repatriation of such funds are often delayed to accrue more interest or re-invested in such economy to produce more profit that will aid economic growth and development. Thus, repatriation of stolen funds is assessed within the political economy of public choice based on cost-benefits analysis. To this end, one the cost-benefit analysis of stolen funds from the developing countries to the developed countries are assessed, the developed economies often go for the benefit against the backdrop of cost analysis.

Conclusion

The concept of corruption is one of the debatable concepts in social science literature. Although, there are three perspectives to the understanding of corruption. One perspective that dominate major discussion and literature today, is that corruption is injurious to human society. The second perspectives have it that corruption is beneficial to some societies and the third perspective hold mix-feeling, that corruption has both negative and positive implications. This study is situated within the content of mixed-feeling with emphasis on the public choice theoretical framework. This study argues that corruption has been beneficial to some countries of the world that housed looted funds and it is injurious to developing countries especially Africa where corruption has been injurious to their respective economies. Therefore, this study takes the position that the fight against corruption require both internal and external approaches. The internal approach involves formulation and implementation of anti-corruption legislations that are not discriminatory while, the external approach involves western societies helping the developing countries in rejecting and repatriating stolen funds as well as the interest accrued from past funds back to their countries of origin. It is against this background, that this study makes the following recommendations that are critical in curbing corruption.

Recommendations

First, the Global North countries should formulate and implement national policies that will ensure that stolen funds are returned immediately they are received from the country where these funds are looted. This is because, delaying the repatriation of such looted funds will make the country where these looted funds are

taken from lost the possible interest that would have been accrued from such funds, if they are invested. This will among other things discourage corrupt leaders who launder state funds oversea.

Secondly, the interest accrued from past stolen funds deposited in Western societies bank be repatriated to their countries of origin, in addition to the main funds laundered. This is because, if the same funds are kept in their countries of origin will also generate interest, though may not be higher than the interest from western societies but will add value to the country-of-origin economy.

Thirdly, strengthening domestic anti-corruption legislations and anti-corruption institutions in developing countries especially in Africa are key in curbing corruption. This will among other things involve reducing the preponderance of the politicization of corruption, by ensuring that no citizen is above the law rather every citizen is below the law.

Lastly, this study recommends among other things that corruption has come to stay with us and that what policy makers should do is to make laws that will curtail the injurious aspect of corruption to the society rather than attempting to fight it from every dimensions.

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