

Unfairness & corruption are a double jeopardy

Corruption and unequal distribution of income walk hand in hand. Corruption is low (Figure 1) in places like the Scandinavian countries, where equality of income distribution is highest. As sharing of income is less and less equalitarian, corruption climbs to high levels, like in Honduras or Paraguay. Probably the reader's intuition already suggested as much.

In today's time, when the perceived chasm between rich and poor is gaining increasing proportions even in the more equalitarian nations of Europe, that double jeopardy is a cause for concern.

Every second week, the media herald the investigation, indictment or conviction of high public officials for alleged bribery, kickbacks, traffic of influence, insider trading, granting of privileges or embezzlement. The promiscuity between heavy private interests and senior state decision-makers, including top government executives, has become common practice and tabloid front page material, even in the least corrupt

countries. The recent years have witnessed a new favourite pastime of some chiefs of state, prime ministers and other big fish, consisting of passing immunity laws allowing them to escape justice once they leave office, whatever the charges for corruption might have been.

According to some scholars, corruption (see Glossary) is not really bad and may even be better than an honest administration. They claim that it "greases the wheels", by enabling individuals to short circuit bureaucratic red tape, and get things done, with immense benefits for free-enterprise.

Fortunately, a wealth of empirical studies establish beyond the shadow of doubt that corruption, far from being a good thing, is in fact "sand in the wheels". It distorts the process of public resource allocation, jeopardises the security of property rights and generates costs that are diverted to the society at large.

This viewpoint is shared by international cooperation institutions such as the World Bank or the

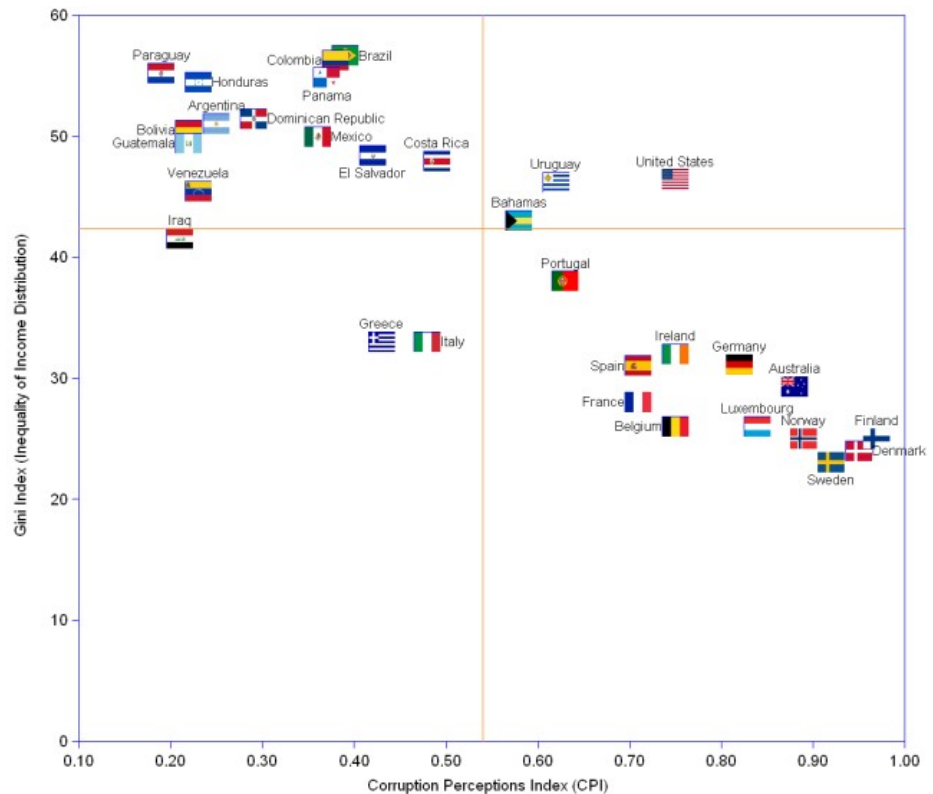


Figure 1: The chart shows strong relationship between corruption and inequality of income distribution. Corruption is measured by CPI (from 0.0 for highest, to 1.0 for lowest corruption), and inequality of income distribution by the Gini Index (from 0 for perfectly equalitarian, to 100 for totally unequalitarian). The orange vertical line indicates the median CPI, i.e. 0.54, and the orange horizontal line indicates the median Gini, i.e. 42.3. [Data for 2004, available from the quoted sources].

OECD that consider corruption a scourge of society, and implemented programmes to combat the evil.

The nefarious consequences of corruption are known:

- Lowers the quality of the infrastructure and of government services such as educational, judicial and health,
- Boosts the underground economy, therefore reducing state revenues,
- Increases pollution, the waste of public resources and the externalisation of costs,
- Rises the crime level and erodes social cohesion,
- Aggravates the living conditions of poor people,
- Lowers a country's attractiveness to international and domestic investors, and clearly correlates with a low GDP.

The causes of corruption, however, are controversial. Corruption may cause the above variables but is at the same time likely to be their consequence as well. Empirical studies do not converge to consistent findings. Many factors may intervene: the level of economic development, the political system of the country, the freedom of thought and opinion, the impact of colonialism, the cultural and religious background, the social cohesion, etc.

What is uncontroversial is the strong correlation between income inequality and corruption. Given the number of people who are under the "poverty line" or who live in "extreme poverty" (see Glossary) in all including the theoretically more affluent countries, inequality and corruption pose a threat to vast populations.

Sources of data:

1. *Corruption Perceptions Index: CPI Transparency International,*
<http://www.transparency.org/>.
2. *Gini index: World Income Inequality Database, United Nations University,*
<http://www.wider.unu.edu/>]

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