

IS CORRUPTION THE PRICE WE PAY FOR DEMOCRACY?

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Corruption is the biggest issue for both developed and the developing countries. The major reason for corruption in younger democracies is inequality. Corruption and democracy go hand in hand, which means where there is democracy, corruption will also prevail. But is democracy only the cause? What we analyze in this paper is the reason for sharp increase in corruption post democratization, and whether the corruption in young democracies really necessary? Is corruption the cause for the loss of confidence in democratic institution? We answer these questions by looking into the history of democracy and corruption in different countries and finally articulating that how do these reasons apply to India.

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What is Corruption?

Corruption has existed and has been a problem since the beginning of human history. Corruption refers to moral impurity- the word itself derives from Latin word for *to spoil, pollute, abuse or destroy* depending on context. But the concept of corruption has changed over the centuries and varies somewhat across the cultures. Corruption has many connotations and interpretations, vary by the time and place as well as discipline. To encompass the wide range of meanings, we start with TI's definition of corruption as "the abuse of an entrusted power for private gain". This definition capture root cause of all the type of economic and political corruption. Such as bribery, nepotism, influence, peddling, conflict of interests, accounting and electronic fraud etc.

Open almost any newspaper on any day of the week in almost any country nowadays and you will find a report of one or more corruption scandals. According to the survey of more than 24000 people conducted on behalf of the BBC across twenty-six countries (in 2010) and twenty-three countries (in 2011) corruption was the topic most frequently discussed by the public globally, ahead of extreme poverty, unemployment, the rising cost of food and energy, climate change and terrorism.

What is Democracy?

The term democracy comes from Greek word that means “Rule by the people”. One of the first people to use democracy was the Greek Philosopher Aristotle (384-322 B.C). Aristotle believed that the democracy was the best form of government but he did not think that the democracy alone was enough to ensure good government. For Aristotle a democracy could be ruled by few people as everyone agreed to be ruled by them and as long as the people who ruled did not stay in power forever they had to take turns for ruling and being ruled.

In a true direct democracy all the citizens participate in the making of the law. For example; Switzerland often vote on whether to accept or reject new laws. But most of the democracies are too large and complicated for everyone to get together to make all the decision. So the people elect representatives to make the decision for them, this is called a representative democracy or democratic republic. Representative’s serves for only short terms before that they have to be re-elected. Their decision must make the majority of the people happy or the people will elect someone else. In this way the power stays in the hands of few people.

Keeping power in the hands of the people is the goal of the democratic form of government. Regular elections are one of the ways to give power to the people. Another way is to spread power among many different government officials, so that they have to work together to get the work done.

What is the relation between Corruption and Democracy?

Over the time, democracy has gone through many transformations and now exists in many variations. However, the basic principles of democracy remain the same, mainly the" sovereignty of equal citizen and the accountability of the unequal rulers. In fact, a major concern of all the democratic systems since the beginning has been to ensure the accountability of rulers, to prevent the abuse of power and with it to prevent and control corruption. According to Corruption Perception Index (CPI) of transparency International says seven out of ten countries with lowest level of corruption are European. According to the Corruption Perception Index, 2016, political parties followed by parliaments, the police and the legal system are the most corrupted institutions globally.

Many scholars have different views about the topic. Chowdhury (2004: 96, 98) finds that corruption declines with Vanhanen’s (1992) democracy index, while Triesman (2000: 417) finds that the duration of democracy, defined as the number of uninterrupted years in which a country is democratic, reduces corruption. Wage imbalance or circulation of riches among natives in a general public, have been a focal point of concern and discourse for a few controls. Salary disparity is found to lessen monetary development (Alesina and Rodrik 1991); building first class political polarization (McCarty et al.2003), prompt political

insecurity (Londregan and Poole 1990) and even threaten the survival of democracy. (Przeworski et al.2000). The results are highly inconsistent. Theoretically, the rise of democracy should lower down the level of corruption, due to decentralization and distribution of powers. But, in reality, the situation has been the very opposite. Corruption has been reaching new heights since the introduction of democracy. Mohatdi and Roe (2003: 445), among others, commented on this phenomenon in Russia, Turkey and Latin America. Knowledgeable observers in Indonesia (McLeod 2005, Robison and Hadiz 2004, Rock 2003) and Thailand (Case 2002, Hicken 2001, Rock 2000, Pasuk and Baker1998, Ammar 1997) agreed that corruption rose in both countries following democratization as the collapse of centralized networks of corruption gave way to more corrosive and decentralized corruption.

Wade (1997) believes that India's over centralized top-down structure was largely responsible for corruption in the irrigation bureaucracy. Conversely, Brueckner (1999) claims corruption will probably be an issue among local governments. By a wide margin, the most exhaustive hypothetical examination of these issues originated from Bardhan and Mookherjee (1998). They contended that a centralized bureaucracy makes incentives to divert the resources toward the elites, relating to their willingness to pay a bribe. This impact is exchanged off against the weakness of local governments to "catch" the local rich, who seek to appropriate the lion's share of local supply. When all was said and done, they found that the relationship between decentralization and the degree of rent extraction by private parties is questionable.

Decentralization gives scope to rent seekers in young democracies. The rent seekers take advantage of the non-accountability and lack of transparency. The lack of checks and balances provides rent seekers with greater access to public officials, providing scope for great levels of corruption by getting involved with public officials by bribing them and strong arming them by the fact of acceptance of previous bribes, thereby creating a vicious circle, getting out of which is nearly impossible for public officials. This in turn creates channels for corruption. The corrupt structure is to be then followed by everyone including the new recruits. This circle of corruption causes the whole system to doom.

As the democracy matures, the system of checks and balances come into play. The level of transparency and accountability rises. The cost for rent seeking goes up and the aggregate rent goes down. The rent seekers, public officials and bribe takers comes under public scrutiny. This reduces the level of corruption. The basic trend amongst young democracies has been that, after democratization, the level of corruption rises sharply until it reaches a certain level from where it begins to fall.

Are simply scandals which help clean up politics and eventually reconfirm democracy, or is corruption just an enemy which is currently in vogue or are accusation of corruption a tool

to discredit political opponents and is there a risk that the fight against corruption might result in excessive controls limiting basic right or the vitality of political life or does corruption in politics indeed carry the risk of undressing democracy. Is corruption the cause for the loss of confidence in democratic institution? What does corruption mean for the future of democracy? What we analyze in this paper is the reason for sharp increase in corruption post democratization, and whether the corruption in young democracies really necessary? We answer these questions by looking into the history of democracy and corruption in different countries and finally articulating that how do these reasons apply to India.

Let's look at Thailand's rise to democracy. Democratization prompted the separation of a centralized corrupt system between political elites, senior civil servants and senior armed force authorities on one hand and the Sino-Thai business people, who drove the development procedure after the development coalition was amassed by General Sarit in 1960. In this unified system, government authorities including armed force officers, if protectionist, rents to a shockingly little number of Sino-Thai business people in return for bribes.

A semi-democratic had developed in Thailand by the 1980s. When Prem Tinsulanonda was the Prime Minister Thailand moved towards broker polity. A northeast Asian style of development took place. All economic associations and key business people met at high profile joint public sector meetings to address Thailand's policy shift towards the favor of manufactures.

But this good change wasn't very well received. As corrupt provincial politicians captured the legislature as well as the Prime Minister's office. They used both the positions of power to manipulate the voters and made a corrupt bed to sleep on for the next elections. They did so, by among other things, politicizing the core institutions of macroeconomic policy—the Ministry of Finance, the Central Bank, and the national planning agency, the National Economic and Social Development Board (Rock 2000: 197-198; Murray 1996). The ascent of shadowy local elites in legislative issues also, their corrupt frontal strike on the state at last drove bureaucratic and political elites in Bangkok to attempt also, moderate the spread of corruption by authorizing another constitution in the late 1990s intended to rule in the corruption connected with cash legislative issues and rural vote purchasing. Corruption slowly started to go down. The constitution had re-centralized networks. The new constitution reduced the number of political parties significantly. Due to all these changes a Thai businessman, Thaksin Shinawata, became the prime minister of the country. It was a historical moment in Thai history as it was the first time that somebody had captured a majority in Thailand.

This was Thailand's struggle with corruption related to democracy. The corruption rose following democratization and reached a zenith from which it began to fall, as the new constitution and laws came into place. The new constitution introduced the system of checks and balances and accountability. Hence, the corruption rate began to fall.

Having an idea about the demography of Thailand and its democratization, we now look into the reasons for sharp increase in corruption post democratization and socio-economical and psychological factors associated with it.

The major reason for corruption in younger democracies is inequality. In theory, one should intuitively expect a reduction in inequality when a country moves from an authoritarian regime to a democratic system. But why, in reality, do we find that democratization in every new democracy leads to greater income inequality? The democratic rule move moreover unleashes solid social requests for redistribution –falls shy of noting this inquiry, as the democratic rule move likewise unleashes solid social requests for redistribution but then these social demands for redistribution are weakened and not turned into improved equality. Inequality and corruption have more or less a direct relationship. The two are weaved in a vicious circle. Corruption increase inequality and the increased inequality raise the corruption. Furthermore, recent empirical studies have started to systematically explore the channels through which corruption may affect income inequality. Corruption may affect income inequality and poverty through various channels, including overall growth, biased tax system, and poor targeting of social programs as well as through its impact on asset ownership, human capital formation, education inequalities, and uncertainty in factor accumulation.

Corruption expands income disparity through the following methods

To begin with, corruption misbalances wage appropriation in an immediate and self-explanatory way, following unlawful advantages gotten from corruption by definition accumulate lopsidedly to the individuals who control and/or have access to political force, while the expenses are externalized to regular citizens. Second, corruption distorts the tax system in many ways that support the rich and all around associated. This thus diminishes tax progressiveness and balances the welfare ramifications of the tax system. Moreover, corruption misallocates social welfare and redirecting so as to education program spending by transferring that spending from the individuals who are really in need to the individuals who are inside the corrupt system.

Moving on to other factors leading to corruption in younger democracies we have-

1-Low Pay scales/ Wages: Most of the employees in government sector are paid low wages and salaries. Hence some employees go for corruption for financial assistance.

2-Low Job opportunities. This is another cause of corruption. Due to lack of job opportunities at will, there are many people who like to go for corruption mode to get the job offer. They will be ready to pay lump sum amounts for the job offer to the higher officials or politicians.

3- Lack of transparency in affairs and deals: Many seat selection processes like in education, contracts for job, employee income reports (wealth possession), etc. lack transparency.

4-Lack of accountability: In government there is a big trend of corruption. This is because of lack of accountability. The employee's on government offices do not perform to their par excellence. If they receive 100 files to be cleared in a week they may not even clear 50 of them in that week. They tend to post-pone the clearance of the files. So those who are in urgency of the clearance have to get them done by rewarding the officials involved in the clearance office. This lack of accountability in government offices is chief cause of corruption. If there is a mandate that all the files or at-least 95% of files received by government offices for clearance are cleared in the said period than corruption can be minimized to a large extent.

5- Decentralization: Decentralization mixed with inequality gives rise to corruption in young democracies at a major level. Decentralization gives rise to corrupt networks. The distribution of powers gives scope to rent seekers for petty corruption. Majority of the petty corruption happens due to this reason.

6-Lack of enough powers to the judicial system and other independent organization: Like the election commission cannot ban a politician from contesting in case they make a mistake or do not comply with the rules during election campaign (like distributing money to people etc.). Similarly, the judicial system has low options to punish someone who is found to be guilty.

We've looked into the history of corruption and democracy in Thailand and the reasons for that corruption. So I'd say that the corruption post democratization is inevitable. But the corruption starts to fall after reaching a certain level. Corruption sort of follows an inverted 'U' pattern with time post democratization. It starts to rise sharply but then starts to fall after reaching an apex level (maxima).

Taking the view of India into context, India also faced these problems post democratization. The reasons mentioned in the paper for which young democracies face corruption apply to India too. Rising inequality coupled with and fueled by pervasive corruption can turn into an ever-lasting nightmare for both political leaders and ordinary citizens in new democracies, unless some external shocks (such as institutional reforms) successfully break down this vicious circle. But on the brighter side, India has reached that

apex level of corruption from which it starts to fall. There has been a decrease in corruption in the recent times due to increased awareness. We are now moving towards the other side of the Kuznets's curve. But if we don't find a solution to the increasing inequality our country would be left to be doomed. The possible solutions to these problems can be left for further research.