

ROUTLEDGE STUDIES IN THE MODERN WORLD ECONOMY

# Corruption, Economic Growth and Globalization

Edited by  
Aurora A.C. Teixeira, Carlos Pimenta,  
António Maia and  
José António Moreira

ROUTLEDGE  


# **Corruption, Economic Growth and Globalization**

**Edited by  
Aurora A.C. Teixeira, Carlos Pimenta,  
António Maia and José António Moreira**

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# Corruption, Economic Growth and Globalization

Corruption is increasingly placed on top of the agenda of national governments and supra national institutions, such as the OECD, UN or the World Bank. A necessary condition for promoting sustainable economic growth is the pre-existence of a stable political system which is able to control corruption. Corruption, however, is a very complex issue, associated with institutional and cultural specificities, personality traits related to individualistic values, and criminal personalities. In this book the social, political and economic realities that prevail in particular settings are viewed from an interdisciplinary, multidimensional and a multi-country perspective.

This book is divided into three parts. The first part presents a comprehensive, theoretical and empirical framework of corruption with an overview of literature on economic growth and corruption. Part two encompasses the in-depth analysis of several countries, ranging from middle corrupted contexts like Portugal, to highly corrupted countries including Serbia, Russia, Thailand and China—the latter viewed from the perspective of firms from a very low corruption country such as Finland. The final part explores the prevention and control of corruption, looking at the public sector in Thailand and fighting corruption with different strategies.

This volume is of the interest of those who study international economics, development economics or organized crime.

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# 1 Corruption, economic growth and globalization

## An introduction

Aurora A.C. Teixeira

Corruption is a severe impediment to economic growth, and a significant challenge for developed, emerging and developing countries.

(G20 Seoul Summit 2010)<sup>1</sup>

The attention of society, in general, and policy-makers, in particular, has increasingly focused on public sector corruption—the abuse of public office for personal economic gain (Rose-Ackerman 1978)<sup>2</sup>—as a key determinant of countries' economic performance (Hessami 2014; Oberoi 2014).

A European Commission report revealed that corruption affects all EU countries and costs the bloc's economies around 120 billion euros (\$150 billion) a year (EC 2014). Other estimates show that the cost of corruption equals more than 5 percent of global GDP (US\$2.6 trillion) with over US\$1 trillion paid in bribes each year (OECD 2014).

In a context of economic austerity and increasing social inequalities, citizens are less and less indifferent to corruption (Gómez Fortes *et al.* 2013; Hessami 2014). Protests against corruption, both on the Internet and in street demonstrations, have gathered massive support and followers all over the world (Sloam 2014), especially in countries recently hit by corruption scandals (e.g., Australia, Brazil, Bulgaria, Czech Republic, Greece, Hungary, Italy, Japan, Portugal, Romania, Spain, Slovakia, Thailand, Turkey and Ukraine).<sup>3</sup>

A basic premise is that corruption tends to occur where rents exist and public officials have discretion in allocating them (Mauro 1998b). The essentials about corruption are neatly revealed in Klitgaard's (1988) formula: *corruption = monopoly + discretion – accountability*. For instance, the processes of privatization (of public or state companies) have themselves produced situations whereby some individuals (e.g., ministers, high-ranking political officials) have the *discretion* to make key decisions while others (most notably, managers and other insiders) have information that is not available to outsiders, thus enabling them to use privatization to their benefit in a context deprived of transparency and *accountability*. Such abuses have been particularly significant in the transition economies (Tanzi 1998; Achwan 2014; Duvanova 2014), where chaotic corruption seems to prevail (Mauro 1998b).