Internationales Asienforum, Vol. 23 (1992), No. 3-4, p. 371-397

Reviews

ROBERT KLITGAARD, *Controlling Corruption*. Berkeley, Los Angeles, London: University of California Press, 1988. XIII, 220 pages. (ISBN 0-520-05985-9)

Robert Klitgaard's study goes beyond the usual definitional debates and discussions whether under certain circumstances corruption creates social benefit. He briefly discusses the most important benefits corruption is supposed to have in Third World countries, i.e. serving as a market substitute, as an instrument of political integration, and a means to circumvent constraining regulations often hostile to development. He acknowledges that all these arguments have a point. But he is convinced that they are only valid from a very limited point of view and that the harmful effects of corruption outweigh the social benefits. Robert Klitgaard's study focuses on policies to control corruption, a topic often neglected. He discusses a series of case studies and structures his considerations along the principal-agent model.

In the 1970s, an administrative reform of the Philippines' Bureau of Internal Revenue considerably increased the probability of detection of illicit practices undertaken by tax officers. This reform was based on detailed vulnerability assessments and resulted in less selling of jobs inside the tax administration, less extortion of the public by tax collectors, and far higher tax revenues. This took place in a country where corruption at all political levels, and especially the highest, remained widespread. No wonder that the success was not permanent. Two other cases are success stories, the campaign against Hong Kong's "syndicated" corruption inside the police corps at the beginning of the 1970s and the reform of Singapore's Customs Department. In both countries independent authorities were created to implement the corruption control policy. Before this reform the body responsible for investigating corrupt practices by Hong Kong's police was in the police force itself. In both countries it could be avoided that the commission against corruption itself became corrupt. Hong Kong's commission was partly staffed with officers from the United Kingdom. Streamlining administrative procedures and reducing uncontrolled discretion was part of the strategy. In both countries, information was gathered on the lifestyle and the assets of officials. The burden of proof was shifted to suspected officials. If their assets were considered to be out of proportion to their legal income they had to prove that it was from legal sources. information-gathering included undercover work involving potential abuse. Another interesting case study deals with the US army procurement department in South Korea, again in the 1970s. The US Army used the usual procurement procedure of making a choice between submitted sealed bids without bargaining. But this led to exorbitant prices as bidders were colluding and had remarkable powers to enforce collusion. Moreover, "independent" cost estimates by the Army were influenced by bribes. This experience led the US Army to change to a system based on sole-source procurement and heavy bargaining. Although this procedure is usually seen as inferior to what the Army did before, it nonetheless resulted in much lower prices. The last case study is on widespread corruption in a government agency for distribution of wheat and sugar in "Ruritania". It is a real case, presented anonymously. There is a completely controlled market. Farmers are forced to sell their products to the agency at prices far below the black market price, but officers accept bribes from farmers in exchange for letting them sell part of their harvest free. Consumer prices are highly subsidized, creating huge incentives to smuggle wheat into neighboring countries. Issuing false ration cards is common practice. A newly appointed director of this agency soon failed completely in his attempt to reduce corruption. Klitgaard labels this case study "implementation strategy", claiming that the new director failed because he seemed to overlook the strategic problems of implementation. One wonders whether this view is justified. It is true, in this case the director did not act very prudently. But in "Ruritania" incentives for being corrupt were so strong and the task of controlling agents in the existing setting so tremendous that without having the power to change the system of market regulation everybody might have failed to eradicate corruption.

To sum up, Robert Klitgaard's study can be highly recommended to all who do not share the fatalistic view that nothing of importance can be done against corruption in Third World countries - and also to those who are open to change their view.

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