

LETTERS *to the editor*

Notion of corruption—does it depend on culture?

Vito Tanzi is certainly on the side of angels in decrying corruption in governmental activities and preferring the autonomous operation of the market economy, in his article, "Corruption, Governmental Activities, and Markets," in *Finance & Development*, December 1995. In a box accompanying that article, Prakash Reddy's views supplied a corrective to Tanzi by showing the relevance of culture to the notion of corruption.

American business can be said to have a culture that views certain practices as ethi-

cally acceptable and not as corruption. In a speech delivered on September 18, 1995 (summarized in *Harvard Business School Bulletin*, December 1995, p. 26), Paul A. Volcker, now an investment banker, addressed the issue of the importance of government as a counterweight to business. He said, "investment banking's incentives can undermine the bedrocks—integrity, loyalty, judgment—upon which successful performance of the profession depends If you are in business, however much you say you love competition, you want to get advantage over the other fellow. By contrast, there is a constant preoccupation

with fairness that is inherent in government."

If the *Gedanken* theory of perfect competition were real life, and there were no affinity groups, one would expect that deviant behavior, such as corruption, would be the same in the market sector and in the government sector. The level and distribution of corruption in a society cannot be predicted a priori, but depend on the particular culture prevailing in sectors of society.

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We welcome comments from our readers

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Credits: Cover art and art on pages 2, 7, 11, 18, and 42: Luisa Watson; art on page 14: Eric Westbrook; art on page 23: Lew Azzinaro; art on pages 30, 34, and 38: Dale Glasgow; art on page 46: Sanaa Elaroussi; book photographs: Padraic Hughes; technical support for cover art: Phil Torsani.

New readers who wish to receive *Finance & Development* regularly should apply in writing to Subscription Services, *Finance & Development*, International Monetary Fund, Washington, DC 20431, USA, specifying the language edition and briefly stating the reasons for their request. The contents of *Finance & Development* are indexed in Business Periodicals Index, Public Affairs Information Service (PAIS), and Bibliographie Internationale des Sciences Sociales. An annual index of articles and reviews is carried in the December issue.

Statement of Ownership, Management, and Circulation required by 39 USC 3685.

- 1a. Title: *Finance & Development*. 1b. Publication No. 123-250. 2. Date of filing: 9/13/95.
3. Frequency: Quarterly.
4. Complete mailing address of known office of publication: *Finance & Development*, International Monetary Fund, Washington, DC 20431.
5. Complete mailing address of the headquarters of general business offices of the Publisher: International Monetary Fund and the International Bank for Reconstruction and Development, Washington, DC 20431.

6. Full names and complete mailing address of Publisher and Editor: Publisher: International Monetary Fund and International Bank for Reconstruction and Development, Washington, DC 20431; Editor: Claire Liuksila, same address.
7. Owner: International Monetary Fund and the International Bank for Reconstruction and Development, Washington, DC 20431.
8. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of the total amount of bonds, mortgages, or other securities: None.

9. Extent and nature of circulation	Average no. of copies each issue in preceding 12 months	Actual no. of copies of single issue published nearest to filing date
A. Total number of copies	52,500	52,750
B. Paid and/or requested circulation	--	--
C. Total paid and/or requested circulation	37,696	36,422
D. Free distribution by mail, carrier, or other means		
Samples, complimentary, and other free copies	14,385	15,064
E. Total distribution (sum of C and D)	52,081	51,486
F. Copies not distributed	500	1,264
G. Total (sum of E and F)	52,581	52,750

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