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 ethically 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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