

**Will Caligula**

**go transparant?**

***Corruption in acts &  
attitudes***

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## The essentials of corruption

At present the phenomenon of corruption is widely debated. In the industrialized countries it has become a prominent political issue, which resulted in anti-corruption treaties and conventions like the OESO-corruption treaty and the EU-anti fraud treaty of the late 1990s. In developing countries deposed various heads of state find themselves charged for the corruption during their term in office or are hold responsible for the corruption of their cronies. Given this state of affairs it seems as if we are dealing with a clearly delineated phenomenon. However, if we look at present and historical cases which have been considered corruption one finds frequently a mixture of bribery, self enrichment, fraud, cronyism and mismanagement. This raises the question about the essence of corruption.

Let us for a first clarification of the concept turn to a country which has been considered notoriously corrupt: Russia, not just the contemporary Russian Federation, but also the old tsarist empire before the introduction of the Duma in 1906. In that corruption ridden country tsar Nicolas I could say to his son Alexander: 'In this country there are only two people who are not stealing: you and me'. He was correct, not because he was an honest man, but because he was the virtual *owner* of Russia and as absolute autocrat he was accountable to nobody, making decisions as he pleased without being bothered by decision making rules or criteria. He might be whimsical, but could he be bribed for bending rules? As a matter of fact, being an absolute, unaccountable decision maker, he was too powerful for corruption. In this short historical characterization we have mentioned some of the components, which are essential for corruption. On the decision side the components are: a *decision maker* whose decisions are guided by *rules and criteria*, from which he has the *power* to deviate and who is in principle *accountable* for the propriety of his decision making to another authority. Corruption is directly related to the discretionary freedom or power in the decision making process. When decision outcomes are predestined there is nothing to corrupt. Powerless people are 'below' corruption, autocrats are 'above' corruption. One of the problems of a corruptor is to find out who has the real discretionary power: corruptors may also be cheated (Della Porta and Vannucci, 1997).

Inherent to the concept of corruption are two other elements. The first element is the most important, because it differentiates it from fraud, with which it is frequently incorrectly bracketed together. Corruption is an *exchange relationship* between a decision maker and an interested person offering or promising an advantage in

exchange for a desired decision outcome, while fraud can in principle be committed as a solitary act. The second element concerns the subsequent justification of the 'bought' decision: the decision maker must always veil the improper nature of this exchange relationship. He must pretend to have acted in accordance with the accepted criteria of decision making or -if there is a monetary trade-off- he will have to defraud, which is the reason why fraud is so often *technically* connected to corruption.

## Defining corruption

The problem with delineating the concept of corruption is that it does not stem from the behavioural or legal science. Being once used in the sense of 'moral decay', it is now used many overlapping contexts and legal, economic, political or cultural comparative perspectives (Lancaster and Montinola, 1997; Bull and Newell, 1997; Passas, 1998). Most definitions contain one or more of the components described above and are frequently overlapping. The overlap or 'semantic intersection' to be found in the literature are the original 'moral decay' and 'abuse of power' in return for an advantage (Wertheim and Brasz, 1961; Hoetjes, 1982, Friedrich, 1989 and Huberts, 1992). Elaborating this semantic intersection I come to the following definition.

- ◆ Corruption is an *improbability or decay in the decision-making process* in which a decision-maker (in a private corporation or in a public service) consents or demands to deviate from the criterion, which should rule his decision making, in exchange for a reward, the promise or expectation of it. ◆

This definition is has a broader scope than politics, public administration or good governance (Goudie and Stasavage, 1998), because it is based on what is fundamental in corruption: the *behaviour of the individual deviant* decision maker. The principal-agent model as described by Groenendijk (1997) can be derived from this behavioural foundation. This behavioural definition transcends the penal law definition: the violated decision making criteria do not need to be codified, though they must be known and recognized by the community.

An objection against this individual decision maker approach may be that it renders the definition rather broad in its application, covering decision making situations which are considered outside its usual range of application. For example, in the upbringing of children there is much 'loving' corruption with clever children playing mom off against dad, like sonny bribing dad with: 'If you let me see Star War, I will wash the dishes. But

do not tell mom!' The tired dad accepts the offer: he does not need to do the dishes and in addition gets some appreciation of his son. But: 'Get ready before mom comes home. Otherwise there will be hell'. Why should not we call this corruption? I think this objection does not hold. Behaviourly corruption is not an exceptionable or pathological behaviour, but all too human indeed. It permeates many of our human relationships in which people face decision makers: are not most churches and temples market places to buy divine favours of the highest Decision Maker? As Deflem (1995) observes, corruption is a feature of a certain type of social (inter)action, and not of systems in the first place, however it may develop into a system. Daily life is determined by values and moral standards for our small and big daily decisions, but who follows the narrow path of virtue, never allowing a deviation from the norm 'in favour of and in return for'? Psychologically 'corruption' is not an pathological state of mind, even if it is reprehensible.

The broad reach of this behavioural definition is as such not problematic. It is precise and capable of encompassing more specific definitions applicable to the relevant sectors of the social life, whether public, business or private, like the situations described by Gardener (, 1970; 1993). As a matter of fact it should also be able to encompass historical variations of corruption (Johnston, 1992; Beare, 1997) or national variations owing to cultural different concepts of proper decision making and accountability. This means that from this definition context specific operationalisations may be deduced by projecting the responsible *individual* decision maker onto the *social* contexts of the public administration or politics.

The concept of corruption should be clearly differentiated from fraud, embezzlement and the sheer abuse of power, to enrich oneself or one's associates. Corruption is not about putting one's finger in the till and other acts which prejudice the employer or the state, though such actions are frequently associated with corruption. Technically corruption may entail fraud (and visa versa), but that depends on the 'administrative' requirements of the surrounding legal system. Likewise, stealing from the boss or from the state as such is not corrupt, but corruption may be instrumental, for example to buy silence from those who are informed. This may induce questions with very complicated answers like: were presidents like Suharto, Marcos, Mobutu or Abacha just thieves or were they corrupt? Though such historical examples may be very confusing, this behavioural definition maintains the conceptual dividing line. It provides also a suitable compliment to the methodological questions related to cross-cultural measurement, raised by Lancaster and Montinola (1997).

The observation that corrupt conduct, though deviant, is not an abnormal behaviour should not be confused with the increased intolerance for this phenomenon in the last decade, which coincided with the lessened need of the US to prop up corrupt, but anti-communist regimes. Indeed, the attitude against corruption has changed dramatically in

the last years and is nowadays found in juxtaposition with organised crime and money-laundering (Goldstock, 1993; Arlacchi, 1993; Jacobs, c.s., 1994). Apart from this moral perspective, the empirical basis of this phenomenon is the deviant decision making. In the next section I will project this decision maker in his various social roles.

## A classification of corruption

If the individual decision maker and his social position are taken as the point of departure, we may have to describe a large and somewhat chaotic range of opportunities of corruption. In order to create some order I have made a simple classification based on a rough functional division of decision situations in which the components of corruption are present. We have decision makers in the public sectors, in the private sector and in politics (Van Duynes, 1996a). Between and *within* these sectors improper exchange relationships may develop which corrupt the decision making process.

### categories of corruption

	public	private	politics
public sector	X	X	X
private sector		X	X
political sector			X

This classification produces nine categories of corruption, if we would differentiate between corruptor and corruptee, between the person who induces or initiates the corrupt exchange and who accepts it. In general it is difficult to make such a differentiation. In simple cases this difference may be discerned: a civil servant makes clear he will not stamp the paper if . . . Or: a contractor makes clear that granting the contract will result in some 'extras'. In the typology of Deflem (1995) these are simple cases of *monetary corruption*. However, in cases of what Deflem calls *bureaucratic corruption* it is not so easy to discern the initiator of corruption. When corruption has been systematised, like in Indonesia, Russia, Spain or Italy, corruptors and corruptees change roles frequently. Who started the corrupt deal in the Belgian Agusta affaire?

Was the previous president of Castilla y Leon, and subsequently prime minister of Spain, the corruptor or corruptee while receiving millions for his Partido Popular? For this reason I have disregarded the three extra categories based on which party takes the initiative.

Another aspect which remains implicit in our definition, is the transition of a corrupt relationship to blackmail. Entering an improper exchange relationship can imply engaging a lifelong '(im)moral bondage', from which one cannot walk away at will. The phrase 'You owe me a favour' may be a reminder as well as a threat.

### **1. Public sector corruption between officials**

There is so little known about the potential occurrence of corruption between civil servants that one may ask whether it exists at all. Only the Dutch journalistic investigator Bouman (1977) has devoted attention to this phenomenon. One of the reasons for this blind spot may be that to outward observers civil servants in their (inter)departmental dealings do not operate in such visible decision situations, while the 'venal' exchange relationship is more difficult to recognise. Moreover, civil servants do not bribe each other with the proverbial thick envelopes for which they even do not have the money. If an improper exchange relationship develops in a decision situation the pay-off will more likely be in terms of non-monetary benefits or favours. Nor need these rewards reflect *personal* advantage: 'official objectives' of the department may be served by the dubious decision so that the appearance of probity may be upheld. Such behaviour may even be admired as a display of 'clever use of sneaky alleys', 'unorthodox management', 'greasing good interdepartmental relations' or other forms of 'daring leadership' (Chibnal and Saunders, 1977). As long as there are no rumours about personal gains it is very unlikely that the heavy negative label of corruption will be used. A few examples may help to illustrate this.

- A senior civil servant has a private consultancy firm which silently acts as an advisor for the building department of the town council. The head of that department discovers it, but silently consents, because the civil servant knows how to wrangle difficult assignments.
- The heads of the responsible ministry and the municipal authorities come to a mutually satisfactory agreement about the assignment of a major project to a dubious waste processor, despite serious warnings.
- A research institute is cajoled to produce the 'desired', but wrong figures concerning the sick-leave of teachers. (In this cases the withholding of a follow-up contract functioned as a blackmail in the background).

- An official of a ministry was furnished with a boat, while the local officials who gave the bribe, wanted nothing for themselves but only something extra for their district government.<sup>1</sup>

These murky decision situations are not only corrupt, they are also important social-psychological breeding grounds for more direct forms of corruption. For example, if one accepts to provide wrong information, either for fear of missing a promotion or because one seeks to improve the relationship with a more important (section of the) department, one does not only accept a corrupt decision situation, one also sets a precedent of fraud and deceit. The former communist countries of Central and Eastern Europe provide good examples of this mixture of corruption and public deceit. Either for personal gain or for fear of demotion, departments, production sectors and production units knew that any figure they produced was false. Virtually all statistics were 'bought' or coaxed by blackmail. No small wonder that corruption permeated every branch of public life, a social feature which was to be continued and expanded vastly after 1989, interacting with the unfolding of organised (economic) crime since the last years of the Breznev's 'gerontocratic' rule (Rawlinson, 1997)<sup>2</sup>

## 2. Public/private sector corruption

The most familiar form of corruption is between a private person or corporation and an official. However, this seemingly simple category covers various subcategories. The simplest form is a one-to-one bribery: an individual wants a service to which he or she is not entitled or quicker than is usual and offers a bribe. One may call this a 'front office' corruption. The service to the corruptor is relatively simple and the material gains are rather small: a stamp, a licence, which is provided outside the normal procedure, a parking ticket which is undone for half of the fine. Such an individual bribery may occur in every department, even when it is well managed. If that is the case one speaks of the 'few rotten apples in the basket'. However, this qualification may be a neutralisation technique of a negligent management unwilling to recognise that the basket itself is affected, even if the management is not itself wilfully implicated (Van Duyne, 1996b).

This leads to the higher level of managerial venality: a morally questionable management which is scarcely supervised, wielding broad discretionary powers, which makes it attractive for valuable exchange relationships. This is not the playground for

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<sup>1</sup> Example provided by Prof. Laintinen (Finland) in his comment on this paper for the Helsinki research institute *Heuni*.

<sup>2</sup> The demise of the Soviet state liberated much capital from the ubiquitous underground economy Sinuraja (1995), from which the nomenclatura have always profited by striking an alliance with the *Vor v Zakonyi* (thieves of the law) and the new entrepreneurial professional criminals, the *avtoritety* (Handelman, 1994; Kelly c.s., 1996; Waller and Yasmann, 1996).

the individual citizen with his petty requests, but for men of power. Heads of departments or (semi) government agencies bestowed with authority of granting licences meet business interests, which requires sensitive and usually complicated extra-ordinary decisions procedures, which are all but characterised by transparency (Vahlenkamp and Knauß, 1995). Men of influence who have a perverted 'credit of trust' (Della Porta and Vannuci, 1997) know how to work according to the bureaucratic stealth procedure: 'soaking', 'predigesting' the desired decision, followed by creating an atmosphere of complaisance in which colleagues are not supposed to be so frank as to say 'no'. The atmosphere of such frankness has disappeared long since. In other words, corruption may be imbedded in a strategy of 'decision cooking', though such strategy may only succeed in a dirty and murky organisational kitchen.

- In cases of multi-layer decision making the decision making process is spread as requests have to be channelled through the bureaucratic hierarchy. Here improper decision making becomes a social-psychological affair, requiring a smooth preparation and an accommodating rubber stamping attitude of several officials. Corruption becomes a ramified departmental or sectional business, which contains several variations. I just mention two types:

**a.** There are no daily relationships between the lower management or executives to the 'outside world', but the head of the department is corrupt. However, it is not easy to conceal corrupt relationships and suspicions easily arise. The lower management face the difficult choice between showing disagreement or going along and becoming morally complicated, even if they are not actually a part of the scheme. In the end, they become frequently involved, if alone by being rewarded for their silence, ranging from small favours to speedy promotions. Those who feel uneasy and frown upon what they observe or surmise are considered a nuisance and removed to 'save places', leave the organisation or, if they are really troublesome, threatened with dishonourable dismissal. Sometimes an individual, disgruntled at the rotten climate becomes a whistleblower, a very perilous undertaking, whose legal protection is either absent or imperfectly codified (De Maria, 1997, Bovens, 1987).

**b.** It also happens that an entire public service unit has become corrupt in its relationships with third parties, without the knowledge of the management. This happened in the public transport department of Amsterdam. While the management locked itself away in its wooden panelled boardrooms, seeing and hearing nothing, a gross mismanagement of assets and contracting out to corrupting entrepreneurs (who were 'induced' or 'forced' to do so) had become daily practice, according to the investigator. In another case a whole section of a customs unit took part in a systematic VAT scheme to stamp T1-forms pretending export from the EU to third countries (Van Duyne, 1995).



- A public service like a town council can also decide that it is in its interest to enter a particular competition with all available means of public relation techniques, corrupt ones included. This happened with the competition for the Olympic winter games in Salt Lake City and Sidney. Individual members of the IOC appeared to have received huge sums to win their votes for the allocation of these winter games.

In such cases the corrupt attitude has become deeply rooted in the organisational culture of the department, deeply affecting the 'human resource management'. This will be elaborated in later sections.

### **3. Public sector/political corruption**

This category concerns the interaction between civil servants and the holders of a political office, like aldermen, members of parliament or ministers. What is the nature of the improper exchange relationships of interests in terms of improper favours and pay-offs? It is likely that the pay-offs will not consist of money or something which can be valued in monetary terms. The favour to be returned will rather be of a personal nature.

- A local political dignitary intimates to the head of the environmental department, that if he tolerates a higher level of pollution then would normally be permissible he need not to worry about his career. It appears that the local politician is himself a pig farmer who is in breach of the Manure Disposal Regulation (Van de Berg, 1992).
- The reverse situation occurs, when a political figure who wishes to be nominated for a high position in the public service, is told 'not to rock the boat' by insisting on a critical investigation into the functioning of a department. His 'correct' voting behaviour is 'bought' by the consideration of winning the support of 'important others' in the department, where later the decision about his nomination will be taken.

This is an area with many grey transition zones providing the social breeding grounds for 'hard core' corruption. Hoetjes (1991) calls such a landscape 'corruptogenic', a euphemism which does not do justice to this phenomenon. If influence peddling, pulling strings and pay-offs in terms of 'mutual aid' have become the background colour of decision making, one may rather call it outright corrupt.

The decision situations of this category are not hypothetical. In countries like Belgium, France and Italy within the elite groups it is quite a political reward for a high ranking party member to become the top civil servant in the town council or even the mayor (for France, see Becquard-Leclercq, 1990). These are no neutral nominations based on administrative skills, but politically highly coveted places as 'warehouses of rewards' to bestow on political friends, on friends in the business community, eager for profitable contracts and (at lower level) the 'respectable' network of yes-men who get

the 'dimes and nickels' in the form of smaller jobs and favours. Does not this corrupt situation look very similar to the promotion of a political figure to the post of mayor of Paris, Bordeaux or Nice -the most favourable positions to create a personal party machine.<sup>3</sup> Which mayor of Paris, later to become president, has not been tainted with (the suspicion of) corruption?

It is interesting to observe that in this climate all participants usually oppose any attempt to introduce decision criteria and to further transparency. Take for example the tenacity with which the Belgian elite or the British Conservative Party (Doig, 1996) resisted (or rather delayed) demands for transparency in these matters.

#### **4. Private sector corruption**

The most obvious situation of corruption in trade and industry is the negotiation of contracts in which the negotiator solicits for 'an extra' or is 'seduced' (or hints that he is very much open to seduction) in return for the coveted order. This is an inter-business corruption, which does not exclude the potential for internal corruption within a firm: the mechanism which has been described in the section of corruption between civil servants applies here as well. For example, the stock manager may be bribed to allow the embezzlement or the unauthorised 'borrowing' of equipment by providing false receipts.

It is important to be precise in discerning adjacent phenomena like fraud and corruption, while recognizing the ways they interact technically. Systematic business fraud is rarely a one-man action, while as soon as the fraud or corrupt scheme becomes more complicated it requires some 'bought' accountancy skills to make the figures 'balance': for example, the payments for the bribes have to be accounted for by higher invoices or pretended expenditures to another firm. In its turn such firm surmises (and condones) something improper and will also demand a part of the corrupt pie for its false invoices. Corruption gradually spreads leading to a corrupt market and a loosening of business morale.

From the broad spectrum of the fraud squads and the fiscal police I give a few examples.

- *The black accounts*: unrecorded or black money flows in a firm create accountancy problems which may be solved by 'soliciting' third parties to provide aid in the form

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<sup>3</sup> 1998 the ex-mayor of Nice, Jacques Medecin, died. Following his father, also mayor of Nice, in 1965, he ruled like a corrupt monarch for 25 years, until he had to fly from prosecution. It is quite telling for the public evaluation of corruption that in Nice the flag was flying at half mast that day.

inflated purchasing invoices, for example to cover the unrecorded (black) buying of goods or the extra payments of wages. The return favour may be a coveted contract or the promise (or hope) to establish a long term profitable business relationship. If such cases are discovered by the fiscal police, they will usually only be labelled and recorded as tax fraud. In the construction industry (subcontracting with black labour) and VAT scams such corrupt business practices have been the corner stones of extensive fraud schemes (Aronowitz, c.s., 1996; Van Duyne, 1993; 1995).

- *Price manipulations*: this phenomenon implies the corrupt cooperation of several partners in a number of related deals intended to influence prices to the detriment of third parties. In the real estate market it occurs frequently that brokers are bribed to increase the assessment of the value of real estate, which is sold and resold by a network of real estate dealers in order to increase artificially the price of the property. This mechanism has been used to launder black money or to obtain inflated mortgages to the detriment of the mortgage banks (Van Duyne et al. 2001).
- *Sales manipulation*: the well known practice of seducing clients to buy products or services by lavish gifts. This is an age old and common practice and every firm which has an acquisition department knows its representatives may be bribed by too lavish gifts to buy more expensive products or contracts from the most generous firm. In the field of public health doctors are less likely to be labelled corrupt, when they accept gifts, free journeys to summer courses and other favours from the pharmaceutical industry, which are intended to induce them to prescribe the more expensive brands instead of the cheaper unmarked brands from the parallel market.
- *Bidding manipulation*: the widely spread practice to tamper with the regulations concerning the fair bidding practices, which should lead to the assignment of the lowest bidder offering the most efficient execution of the job. In this area information is the most valued and traded 'commodity': how to penetrate the principal and obtain the information about the competing bidders? Andvig (1995) provides a lively description of information brokers who buy information from employees to sell it to the bidding suppliers. Information brokerage with all its corrupting side effects has developed into a global business (De Waal Malefijt, 1996; Hoogenboom, 1996). If the number of suppliers to the principals is limited, there may also develop a conspiratorial ring of entrepreneurs who grant each other contracts by rotation: by consent they determine the lowest bid. Strictly speaking this is not corruption but 'bid-rigging', though such conspiracy operates most smoothly if it is greased by inside information, which has its price (Dohmen and Langenberg, 1994).

These are not exotic examples, nor do they concern a gradual sliding into a corruptive exchange relationship.<sup>4</sup> In the branches of trade and industry in which this occurs it rather signifies an already decayed moral landscape, in which many actors manage to neutralise their behaviour by calling it 'marginal', invoking the 'everyone does it' excuse or (preferably) by referring to the requirement to act as a 'sharp businessman' to survive in a world of cut-throat competition and marginalised profits. The entrepreneurial landscape in the construction industry as described by Dohmen and Langenberg (1994) for the southern Netherlands, by Ludwig (1992a), Müller (1993), Kilian (1996) and Stemmer and Augustin (1996) for Germany (e.g. Berlin) revealed a widely accepted practice of corruption, or at least a 'mutual aid' system in tax evasion, subsidy fraud and illegal price setting.

## **5. Private sector/political corruption**

In every country there is a continuous interaction between the private sector and the holders of political office. As soon as the first merchants became a distinct group they needed protection of the (royal) authorities, which in their turn needed money in the form of taxes. Meanwhile the interactions of the modern state have become vastly more complicated. Though in its simplest form the stereotypical businessman only wants (big) money, while the politician strives for (more) power, they change roles frequently. In doing so, they frequently do not shed some old habits, like their lust for money or power. History has shown that this mixture yields an interesting potential for corruption. Various combinations have been revealed of which I only present the following.

- *Party interests*: political figures have corrupt relationships with businessmen, not for personal gains, but to further the interests of their political party. These interests are particularly at stake in times of (re)-election, which are increasingly costly. This has provided the traditional playground for exchange relationships with private entrepreneurs, ranging from 'classical' organised crime (Arlacchi, 1986; Abadinsky, 1991) to respectable building contractors (Ludwig, 1992b). Every monetary support is welcome, but in politics and business there is not something like a 'free lunch': not all firms contributing to political parties do so for ideological reasons, but as an investment in a benevolent attitude of the benefiting party or office holder towards

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<sup>4</sup> During the time of writing an extensive fiscal fraud case, involving a Dutch bank and several senior members of pension funds was revealed. Large amounts of non declared moneys have been transferred to Swiss banks to be reinvested on the stock exchange. Some senior managers of the pension funds have been bribed to go along.

later favours in the form of contracts. This is particularly valuable when the elected office holder has an important role in the allocation of such contracts (as is the case in France; Ruggiero, 1996). Depending on the social-political culture such expectations are expressed explicitly in a backstage deal or are implicitly assumed to be honoured. Though the politicians who are involved, invariably express their 'selflessness' (like the convicted corrupt party officials in the Belgian Agusta/Dassault scandal or the previous Bundeskanzler Kohl), there are good reasons to be suspicious, as pulling financial strings increases one's prestige and status.

- *Voting-bribery*: this is much related to the above mentioned party interests, but it is more directly related to inducing political figures to a desired voting behaviour. In a jurisdiction like the U.S. this is considered a legal form of lobbying, though some senators have protested against this form of corruption, which is particularly rampant in times of re-elections. Financially strong pressure groups can also induce or sometimes directly 'buy a voting behaviour', as mentioned by a member of the American Congress. Ray La-Hood, an American-Arabic congressman from Illinois, voted against Arabic interests and defended his conduct by pointing at the hard fact that 'jews promise me votes and money . . . I never hear something from the Arabs' [in America]. Similarly the advisor of another congressman remarked that 'jews phone my boss and say: if you do not vote in this or that way I will not contribute a dime to your election campaign and I don't vote you'.<sup>5</sup>

In this category there are many transition zones. How to classify the conduct of the 'moral white knight' Blair, who ran into moral problems with some entrepreneurial supporters. First he suggested to exempt motor racing from the European ban on tobacco advertisement. Unfortunately the press revealed that Ecclestone, the boss of Formula 1, had donated some £ 1 million to the election campaign. Blushing with shame the 'bribe' had to be returned. Subsequently Blair appeared to be entangled in a very delicate exchange relationship with Murdoch.<sup>6</sup>

- *Personal enrichment*: when improper relationships 'on behalf of the party' is accepted as a non-deviant conduct, the climate is such that the party will not insist that the profitable fund raiser will fully empty his pockets on behalf of the party. No one will ask whether there is a personal rake-off for the sly fund raiser himself. Why should he not ask for personal favours in return for his profitable interventions 'in high circles' on behalf of his generous business friend? In Europe one should not

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<sup>5</sup> Interview in *De Volkskrant*, 31 October, 1998

<sup>6</sup> Murdoch owns the media 'muscles' to make or wreck Labour's election campaigns, as convincingly proven in the last two general elections. Should Blair, who mediated with Prodi for Murdoch's desire to merge with Berlusconi's empire, act against Murdoch's take over of Manchester United? Murdoch's support has its price too.

only point the finger towards Italy. Also in Britain during the conservative era, France, Spain, Belgium and the Czech Republic, cases have been discovered leading to dismissals and arrests (and accompanying attempts to cover up).

- *Conflict of interest*, which may more appropriately be called a commingling of interests, because most corrupt politicians or businessmen do not feel any conflict at all, like the unrepentant Berlusconi, for whom a public office appears to be an extension of his business-empire. Apart from this extreme, but not exceptional caricature, the interaction or rather the entanglement is frequently subtler and veiled. As can be observed in the improper exchange relationships between (top) civil servants and politicians, the most efficient grease consists of highly valued jobs. Which politician will vote for strict environmental regulations when he covets to join the valued ranks of the 'captains of (polluting) industry'? Conversely, a businessman who has become a politician may keep his interest in 'his' branch of industry by retaining his seat in the commissions of his previous corporations or in a company's board of commissioners. In the Netherlands such a situation induced a high ranking Member of Parliament, connected to the pharmaceutical industry, to carry his weight in a the decision making procedure concerning the price policy of medicines by addressing the responsible minister directly of behalf of his firm. This was more than lobbying: it was sheer influence peddling.

There has always been an interaction between the private sector of trade and industry and there are many advocates, who argue for more participation of professional politicians in business life so that they can 'enrich their insight' in 'real life'. This may be true, but the argument can also be used to neutralise corrupt relationships.

## **6. Corruption between politicians**

Some may consider corruption *between* politicians a tautology: is the stage of politics not full of dishonesty and corruption? Are politicians not continually engaged in mutual trade-off's? This rhetorical question does no justice to the need for flexibility in an open multi-party democratic system. For example, coalition building requires some deviation from certain principles in a spirit of give-and-take to keep negotiations open. This does not mean that political decision making processes could not be improper in the sense of being *reprehensible*. According to our definition this is the case when the exchange of interests should not have been an element in the decision making and therefore has to be veiled, preventing becoming a part of the *public* justification or explanation, which is essential in a democratic system. Though the principle of corruption remains the same, it will oftentimes be difficult to label a murky decision making as 'corrupt'. There are many and broad grey transition zones in this field indeed. I will therefore give only a few recognizable examples.

- *Cover-ups*: though it is not a corrupt act to cover up the evidence of mistakes and wrong conduct, cover-ups may very well slip into decision situations and become the hidden trade-off in an exchange relationship, when the support of a third person or party is necessary to keep an embarrassing situation in the closet. This is not necessarily an inter-party exchange of interests. Silence or the right voting behaviour may also be 'bought' within one party, for example by the offer of a job or a promotion (or conversely by the threat of 'an early end of a promising career'). The mutual cover-up may become a part of the political craft between and within parties: 'If my scandal will be disclosed, than I . . .'. The outcome of such a political climate will be a silent collective harbouring of skeletons in the political closets: the skeleton of your political neighbour may be traded off against your own embarrassing past. The network of solidarity has turned into a network of balanced blackmail, kind of collective negative reward.<sup>7</sup>
- *Nepotism* itself is not necessarily a corrupt act: helping relatives, friends or members of the own closed circle to obtain a job is as old as state building. In the eighteenth century selling jobs has been a normal practice in most parts of Europe.<sup>8</sup> However, it infringes the modern criterion of competence: the right person on the right place without a leg up. As we have seen before, jobs represent important assets in the hands of politicians. Louis XIV realised already that he could turn an unruly nobility into a herd of creepers by bestowing jobs in his court. In modern times such a job creating clientelistic situation is a pervasive breeding ground of corruption, as can be observed in every country where the elite opposes vehemently any attempt to privatise large sections of state owned corporations. Being in charge of such a corporation (or having influence) means, that one can create a retinue of dependent yes-men or grateful persons who will later feel obliged to return the favour. The service in return may be collected years later: 'You owe me a favour' may affect the decision situation very effectively. Corruption does not need to consist in an *immediate* exchange of interests. Providing jobs may be considered an ideal exchange relation between politicians (and higher civil servants): it costs no money, while it is hardly considered corruption. Certainly not by most players in this

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<sup>7</sup> This 'skeleton-trade-off' appeared to be one of the mechanisms use by the Chairman of the European Commission, Santer, to move part of the German Christian Democrats into the right voting direction: he is alleged to unearth some unpleasant histories of the German Christian Democrat previous EU-commissioner Schmidhuber. Meanwhile the French socialists did not dare to sacrifice their fellow socialist commissioners Cresson and Marin, accused of clientilism and 'irregularities'.

<sup>8</sup> See for a brief overview Swart (1949/1990). For the monarchies the selling of offices was an efficient way of extracting money while avoiding the costs of running the office, like the collection of taxes. Also in the Dutch Republic the sale of offices and contracts between families to transfer such office-property was widespread and accepted.

field: 'Those who hold themselves incorruptible bend like a thin cane as soon as they feel the slightest breeze which may affect their career' (Van Duyne, 1996a).<sup>9</sup>

Corruption between politicians may become more than just a reprehensible exchange of interests. It may develop into a polluted political climate in which democratic and accountable decision making will be so deeply eroded that only few insiders know how decisions are being made. This intransparency reinforces corruption, because the only way to serve one's interests and to penetrate through this opacity is to become also a part of the personal clientelistic network: having a patron who acts like a guide or who may even provide you with a position, which allows one to build up a retinue of his own. Clientelism and corruption may be mutually reinforcing (Della Prota and Vannucci, 1997).

These categories of corruption cover most corrupt decision making situations. Together they do not provide a new model, though most of the existing explanatory models can easily be fitted into this scheme. An important element of this scheme has not yet been elaborated: the role of the leader.

## **Corruption as a leadership disease**

Like the proverbial fish starting to rot from the head downwards, in organisations corruption develops frequently (but not always) as a gradually developing top-down disease. This development, beginning with non-corrupt but questionable conduct, sliding subsequently to the first stages of corruption, may unfold unnoticed even to the participants themselves. To sketch this process in this section I will not describe the obvious and blatant forms of corruption, but elaborate this 'twilight' zone, in which it is not so easy to recognize corrupt conduct, while the symptoms may easily be explained away as normal management practice. This top-down development towards corruption because of morally defective leadership, will erode standards for proper decision making and is likely to result in an organisational disease.

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<sup>9</sup> Becquart-Leclercq (1990) describes the successful French mayors as establishing a kind of personal fiefdom by a mixture of privileges bestowed on political friends, friendly decisions, nominations, etc., thereby creating a network of solidarity. The concept of 'fiefdom' will be discussed later.



## **The hidden seeds of leadership corruption**

Corruption does not need to be alien to (technically) *successful* leadership: though it looks paradoxical it can develop alongside successful management during which it may remain unseen (at first) or veiled and denied (in later stages) by the halo effect of the praised leader's successes. If the road to hell is paved with good intentions, the road to corruption may follow the shining path of success. Depending on the surrounding social-political climate, the first steps on this road are not causally connected to corruption and they may even be rationalised under the heading 'the good leader deserts the best'. There is a built-in corruptive trap in this rationale.

### *The phase of extravagance*

Let me summarize the successful career of a good secretary of state for defence who did not succeed in becoming a minister. Before being a secretary of state the politician had been mayor of a provincial town in the province of North Holland. After he had been installed as mayor his expenses for representation began to increase, first gradually, but soon more than tenfold. Despite (in his opinion *because of*) this expensive way of fulfilling his office, he tried hard to defend the interests of the decaying navy town. If he had only been able to justify his expenses for copious meals, his taxi chauffeurs waiting for hours while their meters kept running and other symbols of being-there-as-the-important-mayor or had simply taken care to collect the bills and receipts, he might have got away with such squandering and gaudy conduct, as silent complaints about this apparently wasteful leader have been kept inside. As secretary of state he topped this display of extravagance by ordering an expensive but unsuitable aeroplane for his many trips to his foreign colleagues, against all expert advices! Otherwise his department and parliament were satisfied with his handling of the sensitive defence policy in times of shrinkage after the end of the Cold War and swallowed his financial exploits. Without too much criticism he survived his first term. But during the following general elections the clouds of the past appeared in the sky: journalists started to dig into his financial history as mayor. Even though formally no misconduct has been established, seniors of his party began considering him a 'bad example' of sloppy, indulgent public administration and his name simply stopped being mentioned for a second term.

There is not the slightest indication that this secretary of state might have been corrupt or sleazy. But his extravagant conduct may be considered the first phase in the development of a leadership style, which deviates from proper managing standards. It first affects the principle of proper parsimonious 'housekeeping' concerning the use of assets of the organisation. Secondly the related accountability and such tangible

demonstrations of it, like keeping the receipts for the expenses were neglected. This leads to the next stage in our developmental model.

#### *The erosion of accountability*

The more success a leader has, the more people will not only understandably trust him, but will also make allowances for his whims in other matters. However, the increase in trust and indulgence for the leader's whims is not only inversely related to the principle of accountability but also to the mental openness to critical evaluation of the deeds of the leader. Psychologically the successful leader will gradually be deprived of negative feedback, just because of his success.

This may be an important phase in the development of the leader himself and his organisation. Unless a sufficient degree of self-criticism is maintained, there is a serious risk of a professional leadership deformation. One may observe an aversion for independent minds and a circumvention of the principle of accountability and transparency, unless there is an obligatory external auditing. Internal auditing tends to turn into a fig leaf of 'plausible' explanations for implausible expenses. Those who still have the nerve to ask questions are browbeaten in the social climate of going along with the boss. Administrators, who become exasperated by the continuous undermining of their professional ethics and standards leave the organisation one by one.

Those who leave will naturally be replaced by new staff fitting better into the 'profile' of the organisation which is characterised by an acceptance of or a devotion to the manager. This comes down to accepting the results of the erosion of accountability: the opacity of the organisation in general and the intransparency of personal decision making in particular.

#### *The ownership phase*

Meanwhile we have reached an important transition phase: while incorporating the standards of decision making in his own person, the leader of the organisation starts behaving as the *owner* of the organisation. He virtually 'owns' the place, the assets and the people as he feels that he is the (indispensable) one who has the 'natural' right to decide what to do with all of it. Though he may still pay lip service to conventional standards and principles of management, *he* determines what is responsible management. There is some subtle difference with the display of extravagance with which I started this description. While the squandering will not be less, we now face the blurring of the use of the assets of the organisation for private and organisational aims, understandable if one 'owns' the place. With expenditure for 'representative purposes' already high, it is increasingly unclear whether the expenses are made for the promotion of the organisation or the desire of the leader to live in the lap of luxury. This will be rationalised as 'necessity' (in the early stages) or just taken for granted later (the 'natural' rights of the leader). Case studies and investigations by the police or

accountants reveal repeatedly an exorbitant 'declaration behaviour' of managers who considered their company, department or even the town of which they are mayor virtually as their own household, which assets they could dissipate at will, mixing private and business expenses 'all for the good of the firm', as has recently been observed in Rotterdam.<sup>10</sup>

#### *Court building and Caligula-appointments*

Within the organisation two social processes consolidate and eventually further the growth towards corruption: court building and an unaccountable *recruitment procedure* of new staff, which is related to court building.

As stated before, a leader who is accustomed to unaccountability shies away from employees who might display an independent mind. He needs an inner circle of reliable yes-men for his daily monologues, like the feudal lords needed their chancellors and retainers sitting around and subserviently listening to them. Within this inner circle a spoils system of privileges develops. To 'earn' such privileges one has to be somewhat 'like the boss' in the first place: either in ideas, tastes, values and (very important) laughing about his jokes. Displaying some real skill, but -more important- avoiding risks from independent actions, may also contribute to upward mobility to the panelled board rooms of the inner circle. This inner circle of the organisation develops like a court, guarding its precious position and sharing the same opinions and prejudices, particularly towards the 'others' lower in the hierarchy or in the outside world.

This court building has far reaching social-psychological consequences. I mentioned already the pressure on the staff (and its morale) and the bias towards an obedient 'profile'. This tendency may become a dominant trait in the human resource management. Sharing the same attitudes, reflected in feelings and values, grow into overriding selection mechanisms, being applied to newcomers as well as to the existing lower staff. For the middle management, usually the mainstay of the organisation, this negative role model can be highly contagious. Their loyalty to the organisation is likely to wane, to be replaced by a personal orientation towards getting a share of the spoils and privileges. This human resource management is likely to lead to one of the most

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<sup>10</sup> The way office holders use public funds as their own household money is not only revealed in big expenses. As greedy petty thieves small expenses are also paid out of the public funds, like hair brushes, gell, handkerchiefs or chocolates, as was revealed of the mayor of the Spanish town of Leon. (*The Volkskrant*, 17 December, 1998) The Isrealian prime minister, Netanyahu, displayed tthe same conduct, ordering bottles of wine of 300 Euros for own consumption. However, his prosecution ended with an acquittal.

important losses of decision making standards: the *recruitment standard* which is supposed to guard the minimum quality of human capital.

Within this context the phenomenon of *favouritism* is more likely than not to slip in. The leader is in a position to 'reward a good personality' at will or to appoint someone from outside, because he wants to bestow a favour (or worse, because he *owes* a favour). Consequently one may witness what I have called in Van Duyne (1996b) '*Caligula-appointments*': like the emperor Caligula, the 'owner' of the Roman empire, could appoint his horse Incitatus a consul (according to legend) the 'owner-boss' may feel free to appoint whom he likes, irrespective of quality. This quality is usually mediocre at best, as talented people tend to become troublesome eventually, unless they match their talents with an even greater lack of 'spine' and cynicism.

#### *From favouritism to clientilism*

Caligula-appointments are not necessarily unambiguous symptoms of clientilism, though we are on the very threshold of it. When a favour is bestowed on someone, it is a one-sided generous action. However, very few people are so generous or full of self-denial as not to turn such a one-sided gesture into a two-sided exchange, nor is the favourite in a position to neglect his benefactor. Having once a 'received' position in the organisation, he is the boss' pet, realizing not to bite the hand that feeds him, which means that he will always lend his support. Such caligula-appointees are usually not harmless lower employees helped with a meaningless just-being-there job, but frequently the omnipresent 'right hand' of the leader, having a power position of their own, though it will only be a derivative one. The caligula-appointee will try to strengthen his position by attracting his own little caligula-appointees, while the other courtiers will sense the importance to follow the example to nominate their own retainers or little caligula-clones. Gradually clientilism permeates the social fabric of the organisation. When a Caligula could appoint his horse a consul, the *ménagement* may become a *ménagerie*.

We can say that the organisation has passed the threshold of corruption. The proper decision making standards have been eroded and replaced by complicated social exchange mechanisms like: 'I vote for the suggestions of my benefactor lest his protection or the flow of his favours might dry up'. This attitude radiates downwards along the hierarchy, while the organisational aims have been replaced by an internal competition for the crumbs of favour which have remained from the bigger spoils. In some way the staff may feel justified in acting as 'shareholders' of the firm, which has developed some features of a medieval 'fief', including the privileges and prerogatives of the boss and the derivative privileges of his retinue and their retainers.

Psychologically is an understandable development. It is much more satisfying to wield some personal power than be part of a system of abstract, impersonal standards.

Psychologically the Weberian objective bureaucratic standards may seem a deviation from the human tendency towards such personal led households or 'fiefs'. The pre-bureaucratic management principles of medieval and early capitalist times are a very natural outcome of a personal leadership style indeed.

In this example the development towards clientelism has been described as a social-psychological growth process, demonstrating the gradual 'sneaky', but psychologically 'normal' growth of corruption, of which clientelism may be considered the first unambiguous symptom. Allowing clientelism to become part of the recruiting process implies deviating from the decision making standard of recruiting the best. The personal exchange relationship starts permeating the decisions: 'I will appoint you and further your career if I can rely on your support' and visa versa. Within the right social climate (as is the case with 'gentlemen' in higher circles), it is most unusual and vulgar, to express such things. Nothing has happened but the 'helping of friends'. Who will call this corrupt, when this is exactly 'what friends are for'? This appeared to be the defence of the French Euro Commissioner Cresson, who 'helped friends' with meaningless jobs. Her reference to 'normal French practice' is revealing for the deeply rooted corrupting clientelism in France. When clientelism is taken for granted, so is corruption.

## **Fighting or lighting corruption**

In the last decade of the previous millennium western governments have discovered the emotional and symbolic value of proclaiming a 'fight' or even a 'war' against some 'threatening' phenomenon: drugs, organised crime, money-laundering and also the 'fight' against corruption. Looking back at the analysis in this article and the literature, the term 'fight' misses the essence of corruption. 'Corruption is very similar to a mushroom (or rather a toadstool): what one can observe is the head and the stem, often provided with a white collar. . . . the essence [is] the underlying mycetes of hyphal threads extending through numerous invisible branches in rotten and sick wood' (Van Duyne, 1996b). Fighting against 'mushrooms', the outward manifestations, looks a bit futile, if the rotten wood remains untouched. Being tough against such vile enemies is popular: in China during the mid-eighties and in Russia leaders like Andropov and Gorbachov tried to clamp down on corruption (Levi, 1987), but all they hit were the mushrooms. Ten years later the hyphal threads are still growing underneath in the rotten wood. These are no targets for fights, but for *cleaning* operations and overdue maintenance. By turning a blind eye to the growth of corruption in large parts of the world during the Cold War, western US-dominated institutes, like the Worldbank and

the IMF, have furthered this development in virtually every anti communist client state (apart from destroying the local indigenous economies and the environment). Belatedly these institutions have begun to take a real interest in the contagious and disruptive impact of corruption in the third world (Theobald, 1997). They realised that a broad repressive and preventive educational approach, like experienced in Hongkong, have a better chance of success than the ritual 'war-against-language' (Qua, 1994), though –like the earlier blind eye for corruption– that awareness is not without economic self-interests of the US (Williams and Beare, 1999)

To realise the lofty aims of prevention and repression of corruption one has to face a basic human trait: the tendency to tinker with established decision rules, which are soon felt as oppressive 'impersonal rules-in-the-books'. This is a 'normal' tendency in a society in which flexibility is considered a virtue and rigidity a dead-alive business. And exceptions are the easier accepted as the decision making level is higher. In addition there is the basic social requirement to smooth and grease (human) relations by friendly gestures and being grateful in return, particularly when this return is more than symbolic!

Prevention and combatting corruption entails a delicate interfering with such very basic tendencies, which should not be dismissed as something pathological. Designing technical measures to raise barriers against corrupt *acts* without doing something to develop a corresponding (public) *attitude* is like designing iron chastity belts while ignoring the sexual drive. In this last section I will not elaborate the various administrative techniques to prevent fraud or the legal possibilities and difficulties to repress it. These have recently been described extensively by Poerting and Vahlenkamp (1998). I will concentrate on these behavioural 'basics' instead.

### **Material and social basics**

The fight and prevention of corruption cannot be formulated in social-economical and cultural neutral terms. In many countries there are the brutal economic facts of income and subsistence. If a government pays the executive civil servants \$ 120 a month, while the subsistence level is \$ 150 or \$ 200, no package of ingenious prevention measures will prove effective, let alone some moral lectures, presidential ukases from a Russian president or E.U. aid programmes which do not change this harsh reality. The policeman or customs officer has other worries, like the electricity bill or the rent to be paid.

Two concomitant adverse social-economic factors aggravate this situation. The first concerns the very skewed distribution of income in such countries. Skewed income distributions as such are not causally related to corruption, but the combination with a second factor, the illegal cleptomaniacal origins of the amassed wealth of the ruling

elite, may function as a major amplifier. Every underpaid civil servant has a ready excuse at hand for his petty 'subsistence' corruption as an attempt to reduce the income inequality. These are brutal economic and social basics which need no deep philosophical reflections, though they should be included in any sober risk assessment (See Quah, 1994/5).

The problem with this poverty induced corruption is the underlying economy of clientelism. Many jobs are rather created to reward supporters or to buy votes, than to perform an economic function. Hence, more jobs are created than can be paid for, resulting in meagre salaries. Nevertheless such jobs are much coveted, though they are of a demoralising emptiness.<sup>11</sup> Increasing the salaries cannot be accomplished without dismissals, depriving the politicians of mechanisms of cheap rewards.<sup>12</sup> This leads us to the next section.

### **Cleaning top down: making Caligula go transparent**

In the previous sections I characterized corruption as a leadership disease. If that observation is correct it may provide an answer to the question 'where to start?' The attack on and the prevention of corruption must start by concentrating the preventive and repressive efforts on the acts and attitudes of the highest levels of private and public leadership, as has successfully been done in Hongkong and Singapore (Quah, 1994/95). The staircase has to be cleaned top down. The principles of transparency and

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<sup>11</sup>There is not much point in anti-corruption missionary activity in a stuffy Calabrian state-record office, which is visited by approximately 10 visitors a day requesting 44 copies. They are served by 168 civil servants, who owe their job to their political patrons, among them Giulio Adriotti who in his last cabinet was also minister of culture ad interim (Van der Putten, 1998).

<sup>12</sup>In Italy (1998) there are about one million persons occupying a political function, who together with their families constitute about 6% of the population. Most jobs do not provide sufficient income for a living, which 'compels' the functionaries to look for 'additional' income. The political top consists of ten thousand functionaries and forty thousand members, together needing for a living about four billion Euros, while their salaries total approximately 1.75 billion Euros. The illegal way in which they bridge this gap is a publicly accepted aspect of the economy of corruption (Van der Putten, 1998).

accountability, which have to be applied are simple, basic management rules addressing not only corruption but any form of arbitrary and wasteful leadership. Huberts (1998) has recently shown that there is a high degree of predictable agreement among experts on this and related principles. The problem is not the lack of principles and rules, but their systematic neglect.

The anti-corruption principles have been endorsed widely. To prevent shady deals and to further transparency (and to boost their public image) many multi-national corporations have designed codes of conduct (Kaptein and Wempe, 1995). In countries which have a parliamentary democracy transparency is supposed to be guaranteed by the political control of parliament. That is an interesting development, though of equal if not greater interest are the slumbering forces of resistance. Briefly: when corruption is also an attitude, will the personification of it, 'Caligula', go transparent?

It is difficult to answer that question unequivocally, while there are solid reasons not to become optimistic. A good example is provided by the European Commission. After the upheaval caused by the whistleblower Van Buitenen (1999) and the subsequent political downfall (MacMullen, 1999), the Commission has proposed measures to *broaden* the range of policy documents would be considered 'classified', thus increasing the intransparency for which it has been so severely criticized. Remarkably, only the smaller member states raised objections. There is indeed a strong tendency towards self-exemption above the more important decision making ranks. For example, during an anti-corruption meeting with police officers a member of the 'trust team', handling confidential reports about questionable police conduct, mentioned that they were not allowed to handle reports at the rank of inspector and above.

If no good reasons are given, such self-exemptions may create the breeding ground for the hidden seeds of leadership corruption: the erosion of accountability, the 'ownership feeling' of the office-holder ('no poking around in *my* kitchen!'), the court building of like-minded officials and caligula-appointments of yes-men within the (semi) closed circle of office holders. Depending on the shared (hidden) interests even the democratic watch dog, the parliament, may falter. This is particularly the case when corrupt or questionable acts of the government may endanger the position of the ruling party. The British Conservative Party accepted and condoned a good deal of sleaze, except for the sexual escapades of some of Major's ministers. The Belgian parliament functioned for decades as an elected carpet under which much corrupt mischief has been swept. Only in the second half of the 1990s, under the pressure of the Agusta/Dassault-affaire and the public loathing caused by the Dutroux case did politicians become nervous.<sup>13</sup>

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<sup>13</sup> The three top-figures of the Belgian socialist party, Claes, Spittaels, Coëme and eleven co-defendants have finally been convicted of corruption, 23 December 1998.



If top-down transparency is a truism, its preventive aspects and potential to turn Caligulas transparent or to keep them at bay, is much neglected. This preventive potential can only be enhanced when members of an organisation agree on what constitutes undesirable and dishonest behaviour and forms of conduct which may lead to venality and when they support a rigorous compliance. This will create a climate in which people dare to come forward to report such 'undesirable' behaviour (Gorta and Forell, 1995). This is recommendable for the lower forms of corruption, but reporting 'undesirable' behaviour of the management, requires frequently the desperation (or self-destruction) of a whistleblower.<sup>14</sup>

In order to foster a favourable climate in which also the whistleblower will be heard instead of being sacrificed, the media play an important role. Though often accused of sensationalism and unscrupulous damaging someone's reputation, some have equally turned a deaf ear even when the corruption and abuse was widespread known. There is no simple answer to the question when and how the media should expose questionable conduct, but the preventive social impact of a scandal is huge (Kjellberg, 1994/5). However, nothing may blunt this public repressive effect better than the accumulation of the media outlets in the hands of questionable business-politicians. The case of Berlusconi may be a proper warning. The difference with other countries is striking. Whereas in no northern European country any public figure indicted for corruption would remain in office or even in politics, the media-tycoon Berlusconi still counts on a substantial part of the voters. The accumulation of the media ownership in a few hands in other countries, like the UK, should equally be observed with great concern: the media should not become the screen behind which new Caligas may hide.

## Conclusion

We have reviewed the essentials of corruption, the various categories in which the phenomenon may be divided and have developed a developmental model of corruption starting from the innocent phase of a successful leadership. When we look for a common denominator we may find it in the tension between the opposite organisational

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<sup>14</sup> The case of the whistleblower who brought the clientelism and corruption in the European Commission to the attention of the European Parliament in December 1998 is another example a defensive reaction of an intransparent organisation eschewing the light of democratic control.

principles of 'ownership' versus 'service'. Feeling or acting like the 'owner' of an office is psychologically and socially different from being a 'servant' to an organisation, whether public or private. The difference is illustrated by two very different Dutch leaders: the erstwhile mayor of Rotterdam and of Amsterdam. The first excelled in high expenses and unclear declarations. During his 16 years rule he earned the nickname of 'Sun king', characterizing his monarchic attitude of '*l'état c'est moi*'. After he left to become minister of Interior, a scandal broke out in 1999 about his expenses as mayor and he had to resign from the cabinet. The mayor of Amsterdam was a less conspicuous person, a very modest spender and rather preferred to act as 'the first servant' of the city. He left the office with honour.

Those who develop ownership habits and 'monarchic' attitudes are at risk of getting entrapped in the pitfall of self-exception concerning the required compliance to transparency rules. Of course, not all leading officials who develop such an attitude will necessarily become corrupt bribe takers. However as 'owners' of their office and organisation they may nevertheless corrupt decision rules, most important those concerning the vital human resource management by creating their personal household or court.

In the literature about the 'fight' against corruption, one finds predictable, self evident recommendations concerning the application of the principle of accountability, usually related to administrative matters. Fewer recommendations are found concerning the 'soft' psychological sides of corruption: prevention measures in the seemingly nondescript, slippery stages preceding corruption, by addressing the attitude of the management of organisations and the related management culture.

The question remains: How to make the best out of good leadership in the sense of 'the first servant of the organisation', while not allowing the deformation towards the personal 'monarchic' rule? Preventing the latter development from unfolding requires a human resource management with strict decision rules. The first human resource management rule will concern the limitation of terms of office, learning from history that almost nobody (or political party) is mentally capable of withstanding the long term lure of power. After an extended term in office most leaders develop their 'system', like the 'system Kohl', with inevitable negative moral side effects. In addition strict human resource management rules will function as a barrier against clientelism or nepotism and related court-building. As a matter of fact, its preventive function is broader: it contributes to an open, non-authoritarian leadership style, which takes the accountability towards the public serious. This is in accordance with the still valid ideal of an open society.

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## **Abstract**

This paper approaches corruption from the behavioural point of decision making and an exchange relationship between the decision maker and a third party. Six categories of corrupt exchange relationships are described. The paper focuses on corruption as a leadership disease: the fish starts to rot from the head downwards. The paper takes the successful leader as a starting point to describe the sliding towards corruption due to the decline of the accountability. It describes the development of the leadership disease through several phases: the phase of extravagant, the erosion of accountability, the ownership phase and court building and Caligula appointments finally leading to favouritism and nepotism. The prevention and repression of corruption is based on the simple principles of transparency and the 'first servant' principle, which have to be enforced top-down.