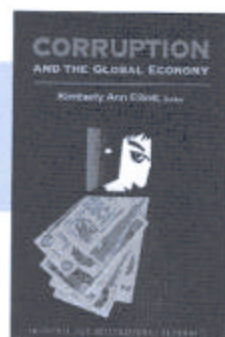


Kimberly Ann Elliott (editor)

Corruption and the Global Economy

Institute for International Economics, Washington, 1997, xiv + 244 pp., \$20 (paper).



Corruption is in vogue nowadays. So is its study, which, coupled with the many interpretations and disparate forms of malfeasance that corruption encompasses, has resulted in an explosion of writings, from many perspectives, on the topic.

Views of different analysts on the worth of various approaches to combating corruption vary widely. Many diverse views are represented in this concise book, *Corruption and the Global Economy*, which is the outcome of a conference on corruption hosted by the Institute for International Finance in April 1996. Arguments are presented by theorists, economists, lawyers, and even an insightful detective (Jules Kroll).

Following the introduction is a beautifully written chapter by Patrick Glynn, Stephen J. Kobrin, and Moises Naim on the globalization of corruption. The synthesis of the global initiatives to combat corruption it provides is helpful, although the number of references to this theme in subsequent chapters of the book seems excessive. The stories this chapter includes of corruption in industrial countries puts the potentially sensitive North-South issue in perspective. Its discussion of the pitfalls and opportunities brought about by the explosion of technological wizardry in international finance-- permitting market participants to move millions with a single mouse click-- is timely. And its account of the role of the former U.S. Secretary of State, Warren Christopher, in pushing for the OECD's criminalization of international bribery is revealing--not least by suggesting that, in a field populated by skeptics and pessimists, the resolve of one person can make a difference.

Another remarkable story is that of the OECD's Working Group on Bribery in International Commercial Transactions, chaired by the Swiss official Mark Pieth, and how, following a legislative review requested by this group, the U.K. government recently unearthed the long-forgotten 1906 Prevention of Corruption Act, one closely paralleling the much-touted American Foreign Corruption Act of 1977. This discovery challenged the notion that the OECD's push for criminalization was just a U.S. exercise in extraterritoriality.

More broadly, however, the fact that the chapter on globalization leads this collection raises a key question about the essence of the corruption challenge. Most of the book sees corruption as an international trade and investment problem, with cross-border bribery being a prime concern. In addition to the focus on international initiatives in the introduction and both the first and the concluding chapters, there are contributions by Mark Pieth tracing the OECD's efforts, by Fritz F. Heimann on initiatives by the International Chamber of Commerce and on corporate compliance programs, and by Alan Larson on the U.S. perspective on international corruption. While each contribution has significant individual merit--and some make fascinating reading--as a whole they may suffer from a fallacy of composition. Indeed, two commentaries, provided by Dani Rodrik and Vito Tanzi, question the premise that corruption

ought to be seen mainly through an international trade and investment lens, suggesting instead that corruption be addressed as a development challenge.

To be sure, the domestic and developmental aspects of corruption are not absent in this book. It is refreshing to read the account of Uganda's then Inspector General, Augustine Ruzindana, of specific anticorruption initiatives (in which he had a leadership role). Admirably, he places these institutional actions in the much broader context of political, economic, and administrative reforms that are still ongoing in his country. The chapter by Susan Rose-Ackerman, a pioneer in the academic study of corruption, presents the incentives to engage in corruption and discusses corruption's economic consequences in an analytically rigorous fashion, while Paolo Mauro presents his empirical findings on the harm corruption does to development (see his article, "Corruption: Causes, Consequences, and Agenda for Further Research," in this issue).

Michael Johnston focuses on the political sources and effects of different kinds of corruption and lucidly looks at the social and political imbalances that arise from different political typologies of corruption, distinguishing between political and economic opportunities, and emphasizing the role of elites in different societies. He suggests various strategies for dealing with corruption under different political regimes, including ways in which democratic reforms can have a positive influence.

The substantial concluding chapter by Elliott emphasizes the international policy aspects and provides a long list of recommendations, including exhortations to the international financial institutions to do more. There is also a presentation of empirical correlates with corruption, which may have been included to compensate for the reticence of earlier chapters (Mauro's is one exception) to make systematic use of data.

Though it has both the strengths and the weaknesses common to edited collections of articles, this book is required reading for anyone interested in corruption. It covers most of the first-stage issues that have been raised in the new anticorruption era. The first stage, which encompassed consciousness raising and initial mobilization of international support and of civil society, has been successful and is already giving way to the second stage--one of concerted action. Yet many political economy, institutional, and implementation issues still need to be addressed, and priority areas for further work need to be identified and followed up. Indeed, resolution of the more concrete second-stage issues will require innovative and analytically sound approaches incorporating more extensive use of data, as well as developing conceptual frameworks within which to analyze corruption within specific countries and to design reform programs tailored to their needs. For instance, a more in-depth understanding of the politics of systemic corruption in particular countries is likely to lead to different (and at times counterintuitive) reform recommendations being made to them, compared with countries where corruption is widespread but not endemic.

The OECD's recent resolution encouraging criminalization of international bribery is a notable achievement, and undoubtedly its implementation by OECD member countries ought to be given high priority in the near future. Initiatives from international financial institutions will also be important. Ultimately, however, inroads into corruption will have to be made within afflicted countries by their own leaders and people. In most countries where the need to combat corruption is dire, the necessary work is either just getting started or has not yet begun.

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