

NOTE

Corruption and Growth

Bharat Jhunjhunwala writes :

German-based transparency International has found in a worldwide survey of more than 11,000 Company Executives that Indian companies were most corrupt in their foreign operations. Switzerland was assessed to be least corrupt while India, China and Russia topped the list. Transparency International also found that domestic corruption and foreign corruption show parallel trends. Countries ranking high in Corruption Perceptions Index and Bribe Payers Index move in tandem. The former measures level of corruption perceived to exist among government officials and politicians while the latter measures propensity of the companies to bribe abroad. Countries ranked high in Corruption Perceptions Index are also found to rank high in Bribe Payers Index. India has the distinction of topping both indices which leads to the inevitable conclusion that Indians are most corrupt among the major countries of the world.

Generally it is assumed that corruption hits at economic growth. India and China, being high in corruption, should have lowest growth rates. But the reality is exactly the opposite as these two countries logging highest growth rates at 8 percent-plus. Maybe, it's a paradox of sort.

Every country seeking to develop economically has to reduce its level of consumption initially. A rickshaw-wala seeking to buy an auto-rickshaw has to initially consume less and save more. His consumption may increase after he has saved enough to buy an auto-rickshaw. This initial lowering of consumption is called 'primitive accumulation'. England undertook such reduction in the consumption of the poor during the initial phase of industrialization in the eighteenth century. That is captured in Dickensian England. America did the same by reducing consumption of the black slaves imported from Africa. India is said to be doing precisely this through corruption. Money is being extorted by the government officials from the poor and invested in share and property markets. Surely such corruption hits at the welfare of the people. But it may become an engine of economic growth!

It seems corruption is socially and morally wrong but has little negative economic impact in the investment-oriented culture among the corrupt of the country. Gandhiji used to say that violence is better than cowardice while non-violence is best. Gandhiji was not a proponent of violence yet he said that violence was better than cowardice. As a corollary one may say 'corruption with investment' is better than corruption with consumption. ~~del del del~~