ANTI-CORRUPTION REFORM – EVOLUTION OR BIG BANG?

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Corruption is one of the major obstacles to development in the world. It hinders economic growth, impairs public service delivery, erodes trust in public institutions, and is in general negatively associated with a wide range of indicators of human welfare (Mauro, 1995; M. Lewis, 2007; Holmberg, Rothstein, & Nasiritousi, 2009). The causes of corruption are, however, less understood. Cross-country comparisons have resulted in correlations between institutional features and corruption, but many of the results do not replicate when tested on new data or alternative measures of corruption (Treisman, 2007). As a consequence, antidotes to corruption are elusive, and anti-corruption reforms often meet with little success (Andrews, 2013; Persson, Rothstein, & Teorell, 2013; World Bank, 2008).

A proposed explanation for the failure of anti-corruption reform is that corruption is a collective action problem (Persson, Rothstein, & Teorell, 2013). That is, it may be in the common interest to stamp out corruption, but not in the best interest of each individual. It is illogical, for instance, to stop taking bribes when everyone else continues to do so, and not just because it means missing out on extra income: Research shows that the offer of a bribe sometimes is coupled with the threat of violence (Sundström, 2016). Countries plagued by systemic corruption are thus caught in a stable equilibrium; a social trap.

A logical conclusion from this line of thinking is that dramatic change is necessary to shock the system out of its equilibrium, onto a new path. Gradual and incremental reform will fail to reach a tipping point, it is argued, and everyone will slide back into old corruption (Aidt, 2003; Rothstein, 2011:246). The most prominent proponent of this idea is Bo Rothstein, who to a large extent has built his case on the Swedish experience of administrative reform in the 19th century, arguing that it took the form of a “big bang” (Rothstein, 1998; 2011; Rothstein & Teorell, 2015).

In this Development Dissertation Brief, I outline my own investigations in the Swedish case, and public administration reform in general. I argue that the Swedish process of building an impartial and professional is better characterized as a gradual and incremental development than a big bang. This has implications, I argue, for the implications for development policy today.
The big bang theory

Finding a sound strategy for how to best design anti-corruption reforms remain a trillion-dollar question in the development community. Some scholars have stressed the need for rapid, comprehensive, “big bang” reform in order to change perceptions of what is considered normal, and pull out corruption root and stem. When everybody is expected to be corrupt, it is the rational course of action. Reforms must signal that society now operates under another logic (cf. Aïdt, 2003; Greif, 2006; Quah, 1999; Rothstein, 2011). Others have instead argued that reform takes time, is best served by incremental steps and experimentation, and by appeasement of corrupt actors (cf. H.-J. Chang, 2003; Cheng et al., 1998; Fukuyama, 2014; Grindle, 2012). Still others claim that both approaches are valid, but in different contexts (Rose-Ackerman, 1999, p. 198). My reading of the literature lends support to the view that both strategies could work; there are examples of successes for each approach.

Georgia constitutes the prime example of what appears to be quite successful reform according to the “big bang” principle. Mikhel Saakhasvili was elected president in 2004 on a strong mandate to fight corruption, and made sweeping reforms in the years following. Efforts were directed at harsh punishments for corrupt offenders, purges of the administration (including the firing of 15000 police officers and 30000 civil servants overnight), and salary increases (Alam & Southworth, 2012; Börzel & Pamuk, 2012). The changing of how people perceived the state was an outspoken goal. The mayor of Tbilisi said that they had to “Attack the symbols of corruption” which also included making high-profile arrests, some widely publicized. The mayor concluded that “This change in mindset is the Georgian transformation” (Alam & Southworth, 2012, p. 99), which falls in line with the big bang theory.

Singapore and South Korea also took similar actions. In Singapore, punishments for corruption were sharpened, anti-corruption agencies were given wide-ranging capabilities, and the salaries of civil servants were increased to very high levels (Quah, 1999). The bulk of South Korea’s reforms came about under Park Chung-Hee, who seized power in a military coup in 1961. Park purged the administration, firing over 35000 civil servants, reinforced the previously bypassed merit examinations and managed to create a growth-inducing bureaucracy, even though reform initially was limited to key economic agencies
and corruption scandals have continued (Cheng, Haggard, & Kang, 1998; Evans, 1998; Kang, 2002).

The massive protests against the corruption of South Korean president Park Geun-hye illustrate the weakness of the big bang approach: To enact the dramatic changes, a powerful principal is required, which means that the same principal will have plenty of opportunity for corruption. In one of the few studies of the process of curbing corruption in Hong Kong and Singapore, the author concludes that “The political leadership must be sincerely committed to the education of corruption” and that “The anti-corruption agency must itself be incorruptible.” (Quah 1995:408) These statements handily assume away the main problem of corruption. As put by James Madison’s in The Federalist No. 51: “If men were angels, no government would be necessary.” But concerning corruption in the administration, there at least appears to exist successful examples of the big bang approach.

The Swedish case

In several articles, Bo Rothstein has argued that Sweden at the start of the 19th century can be described as “thoroughly corrupt” (Rothstein 2011:240), or at least “patrimonial and to quite some extent corrupt” (Teorell and Rothstein 2015:218). Patrimonial or corrupt features of the civil service include top civil service positions being reserved for the nobility; buying and selling of public offices in the accord system; remuneration of civil servants through benefices and the bribe-like sportler rather than proper salaries and an insufficient criminal code for the civil service (Rothstein 1998). It is moreover generally accepted that members of the Swedish Diet of Estates took large bribes during the 18th century (Frisk Jensen 2008), but the focus here is on the administration.

Towards the end of the 19th century, the situation was different. A large number of political, administrative and societal reforms had been enacted, and according to a contemporary observer, the old view of public office as property was beginning to fade away (Rothstein 1998:304). The period 1840 to 1870 were originally pinpointed as the key period of change by Rothstein (1998:303), but a subsequent article have also added that important reforms of the judiciary system seems to have taken place already in the
1820s, as evidenced by the large number of court cases relating to official malfeasance then (Teorell and Rothstein 2015).

The length of reform ties closely into the main conclusions drawn from the Swedish case. Rothstein (2011) argues that the large number of reforms in the period 1840 to 1870 was crucial for their eventual success, as they established new rules of the game, and a new mindset about how public officials should behave. In the absence of dramatic change, people will continue to behave according to the logic of the old corrupt equilibrium, and reform will fail. In two studies, I endeavored to provide a more in-depth look at two specific and integral features of the administration: The payment and recruitment of officials. I argue that they, taken together, paint a different picture of the process of reform in Sweden.

**Study 1: Understanding informal payments in Sweden**

In Sweden, informal and semi-informal payments were common during the 19th century, under the Swedish name of *sportler*. Sportler was a part of many civil servants’ income, and consisted of small fees for provided services or in exchange for documents. There were, in some cases, set fees, but inflation soon made them outdated, which created uncertainty and informality about the actual rates. This, in turn, paved the way for extortion to occur, and the system was, judging by statements from politicians, not popular among the public. However, debates in parliament show that responsible politicians, while acknowledging the weaknesses of the system, also saw it as unavoidable. In a discussion in the Riksdag of 1834/35, a member of the Temporary Tax Committee expressed the sentiment:

> When one knows, with which difficulty it is associated, to properly distribute tax income, and how little, it is possible, to please everyone, is it not worthwhile to ponder the possibility, to find an easier way to collect a tax, that is indirect, and among which the issue at hand [sportler] also may be counted.

Sportler was described as an indirect tax that raised and distributed itself automatically, without the need for involvement by the state. Furthermore, it also functioned as a performance-related pay, which was necessary when the state had little opportunity to
observe the performance of civil servants (cf. Allen, 2011). Sportler is one expression of a
general pattern of ‘entrepreneurialization’ of the state. The state basically contracted out,
using modern terms, certain functions to civil servants. They were obliged to perform
duties, but could raise their own revenue and hire their own staff, paid with sportler
income (Westerhult 1965, 134). This is a key characteristic of what Max Weber termed
the prebendal administration, and it’s most pronounced form is tax farming. Sweden
actually experimented with tax farming in the early 17th century, but it was quickly
abandoned.

The understanding of the function of sportler is crucial to understanding the response
to it. If it is indeed corruption, bribe-taking, a logical response would be to crack down
on it in a comprehensive reform. But if it is a flawed but practical solution to problems of
lacking administrative capacity, the best response is likely another. Reform attempts
therefore focused on formalization and regulation to improve the existing condition.
Abolishment only came together with massive wage increases, and the eventual
introduction of an income tax to finance them. These measures were, however, for a long
time entirely unfeasible, due to the lacking state capacity. In fact, sportler remained in
some courts until the 1940’s, despite the important ethical problems of “buying justice by
the sheet” as one member of parliament expressed it. In contrast to previous research
(Rothstein, 1998, 2011), I therefore argue that incrementalism and gradualism is the best
way to describe the process, and possibly also a key factor contributing to eventual
progress.

The Swedish experience echoes the insights from countries struggling with informal
payments in the public sector today, for instance in the health care sector. Informal
payments, which also can be known as under-the-counter payments or gratitude money,
usually mean that citizens pay a minor sum for public services that really should have
been free, or cost less. The person providing the service keeps the informal payment. The
payments impact equality in health care, as the poor pay a larger share of their income
(Ensor, 2004; Gaál, Jakab, & Shishkin, 2010), and they also have an impact on the overall
performance of health care, as health care provides distort service provision in attempts to
maximize revenue from informal payments (Cherecheş et al, 2013).
Although they generally are illegal, and thus strictly corruption, the reasons for their prevalence are similar. The main problem with informal payments, according to the literature, lies not with corrupt individuals, but rather in the wider society and state apparatus, as they arise as a response to lacking state capacity to raise taxes and provide decent salaries for public employees (Ensor, 2004; M. Lewis, 2006). The informal payments cut the state out: citizens pay directly to a service provider, eliminating the many problems of collective action and corruption when involving the state. While critical of the practice of informal payments, respondents in qualitative studies also have understanding for why health care workers demand them, as they often are underpaid. Attempting to reduce the incidence of these payments through increased criminal sanctions only addresses the symptoms, not the root cause, and has often proved to be futile (Gaál, Jakab, & Shishkin, 2010). Reformers are thus wise to observe the underlying reasons for informal payments, as well as other types of corruption, and address those, not just the symptoms. A reform is unlikely to succeed if the underlying capacity to uphold it is lacking.

**Study 2: Nepotism in the recruitment to the public sector**

A key feature of a professional bureaucracy is the meritocratic recruitment of public officials, both according to theorists such as Max Weber and Gary Miller (2000), and empirical research (Dahlström, Lapuente and Teorell 2012). In Sweden, there are well-documented but anecdotal examples of recruitment through patronage and nepotism in the 18th century, whereas recruitment seems to have been more impartial towards the end of the 19th century. As with other forms of corruption, there are, however, few measures of the opposites of meritocratic recruitment, that is, patronage and nepotism. We therefore have little quantitative data on the process of expanding meritocratic recruitment, in Sweden as in other countries.

I address both these issues by developing an objective indicator of the extent of nepotism in the public administration. By analyzing the frequency of shared surnames among civil servants within agencies, and comparing that to what would be expected if kinship with a civil servant carried no advantage, I obtain an indicator that is possible to apply retrospectively over time, which has been lacking in previous research. I find that
the extent of name-sharing in the central Swedish public administration during the 18th and early 19th century was significantly higher than what could be expected from random chance, but that it declined during the 19th century, as expected from previous research (Rothstein, 1998, 2011; Teorell & Rothstein, 2015). Figure 1 illustrates the odds ratios for the difference in probability of name-sharing between two random employees from the same agency compared to employees from different agencies, together with confidence intervals. When the confidence intervals do not overlap one, name-sharing is higher within agencies than what could be expected from chance alone.

**Figure 1:** The extent of name-sharing in the central administration over time 1765-1970.

*Note:* Years are selected with 15-year intervals. The sloping dashed line is a LOWESS smoothed line on the odds ratios for each year. Bars represent 95% confidence interval. Figure reproduced from Sundell (2015b:17).

We can however not discern a sharp break in the patterns of recruitment, and the historical accounts show that recruitment to the administration was a bone of contention in Swedish politics for several hundred years, with gradual progress towards a more meritocratic bureaucracy. In the 17th century, Axel Oxenstierna built up a large
patronage network during the administration. In doing so, he created a staff that was loyal to him first, and to the crown second (Asker 1990; Norrhem 1993). This strategy was however reasonable given the lack of widespread education. In such a low-information environment, personal relations may serve as substitutes for other indicators of employee quality.

In the 18th century, several attempts at making recruitment more meritocratic were made, but educational requirements were largely fruitless. The agencies were lax in enforcing them, and higher education was also of very low quality (Rothstein 1998). The most defining reform instead came in 1756, when the government stated that the years of service should be used to select among applicants, the so called seniority principle. The principle applied both in promotion and in transformation of a temporary unpaid position into a permanent one (Nilsson 2000). It provided objective criteria and thus made promotion a more mechanical procedure (Edler 1915:68; Elmroth 1962:263). There were of course drawbacks to using seniority as the guiding principle. The incentive to do a good job disappeared, which was also noted in the Northcote-Trevelyan report in the United Kingdom (Edler 1915:108).

The contours of a more meritocratic civil service began to emerge during the second half of the 19th century. A series of wage reforms raised the wages of large swaths of the public administration, converting incomes in the form of fees to fixed salaries. In tandem with this, the previously common practice of holding several positions in the administration was curtailed, and more requirements for how much work the officials had to do were introduced. Moreover, toward the end of the 19th and beginning of the 20th, the seniority principle increasingly came under attack as inflexible. Newly created agencies for telegraphy, railways and road and waterworks led the way with less regulated procedures for hiring and firing, but without patronage or nepotism (Nilsson 1999).

There is thus no clear beginning or end to the process of professionalization. The wage reforms in the 1850s and 1870s seems to have been important, but so does the introduction of the seniority principle a century earlier, which historians have argued reduced patronage and nepotism (Edler 1915:68; Elmroth 1962:263). Furthermore, there is little evidence that these various reforms were introduced with the explicit aim of curbing corruption. Practical and political considerations – as control over the
administration was important both for king and nobility – seem to have been more salient.

Interestingly, the change towards seemingly more meritocratic recruitment does not appear to have been sudden, or to have limited the possibilities for the old elite to make a career in the public administration. Nobility, whom until 1809 had a monopoly on the top positions, continue to be drastically overrepresented among civil servants during the entire period of investigation, even in 1970. Other research also confirms that Swedish nobility are still to this day overrepresented among elite professions such as physicians, scientists and lawyers (Clark, 2012, 2014). The suggested explanation is that the nobility, for long periods of time, had better access to education than commoners. Around 1900, 20 percent of the nobility held a degree, compared to about one percent in the population (Norrby, 2005). During the old system the nobility could use their connections, and under the new, their educational certificates.

The result is entirely expected given the sociological theories of Pierre Bourdieu, who argued that education (cultural capital) in many ways mainly served to reinforce existing class divisions (Bourdieu, 1986, 1998). Even Max Weber was sanguine about the role played by education. Despite stating that it was an essential aspect for the training of officials, he interpreted demands for more educational requirements not as a “thirst for education”, but as a desire to restrict the supply of eligible competitors for positions (Weber, 2009, p. 241).

**Policy implications**

Good administrative institutions are context-dependent, both in relation to time and space. What may appear corrupt or inefficient by the standards of the United States or Sweden in the 21st century may be the best possible solution given existing constraints in other countries today, or historically. For instance, there is currently a movement towards greater flexibility and discretion within public sector recruitment in the United States in order to increase efficiency (Hamilton, 2010; Lavigna & Hays, 2004), while countries struggling with patronage and nepotism are instead attempting to make recruitment more formalized by adopting civil service institutions that the United States
pioneered more than 100 years ago. These opposing trends may both be rational given the problems facing each respective country.

Furthermore, it is necessary to account not only for the different challenges, but also the capacity to implement different types of reforms. Some countries are unable to introduce reforms that in other countries produce good results. The issue of informal payments in the public sector is a prime example. The governments of, for instance Germany or France, could increase either monitoring and sanctions or funding to counter any problems if they were to arise. In contrast, the options in Cambodia, one of the world’s most corrupt countries, are very limited. Some hospitals have therefore experimented with legalizing under-the-counter payments, in order to increase predictability (Barber et al, 2004). There are parallels, I argue, to the Swedish experience of sportler in the 19th century.

Administrative constraints are, however, only half of the story. The biggest hurdles to reform that could benefit society as a whole are often political in nature. Simply put, it is often not in the interest of the people in power to change the status quo. The study of meritocratic reform and nepotism in Sweden, as well as experiences of other countries (Grindle, 2012), reveal that new systems for meritocratic recruitment often fit the old elite well, which likely was a key factor in their success. Suggestions for reform can therefore not only focus on an ideal scenario, but must seriously consider next-best solutions. The multitude of good governance characteristics that international organizations push for are unobtainable in many countries (Andrews, 2013; Grindle, 2004).

My study of the Swedish case unfortunately reveals that there seems to have been no silver bullet in the process of building the impartial and professional bureaucracy for which it is known today. Reforms of both payment and recruitment systems seem to have been drawn out processes that required experimentation, second-best solutions and compromises. The main implication from this dissertation is therefore one of pragmatism, and realistic expectations. It is probably not possible to eradicate corruption in one big bang, while isolated reforms risk being subverted by actors wishing to keep the status quo. But if it is possible to isolate instances where corruption is the response to a
problem of administrative capacity, a fruitful strategy might be to attempt to remedy that underlying problem, for a small improvement.

References


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