

How to Fight *Corruption*

BY NORMAN A. BAILEY

A super-free economy and an exceptionally generous social safety net.

It is universally recognized that private and public corruption has proliferated in recent decades. A large bibliography of books, articles, and studies have analyzed this phenomenon from various standpoints, in the face of the unfortunate fact that credible data is missing, for obvious reasons—those who engage in corrupt business practices do not report them to the authorities. Indeed, the lack of data about corruption means that the official statistics of many countries are seriously incomplete.

From the standpoint of the political, social, and cultural development of contemporary society, the prevalence of corruption at every level of society and throughout government—the executive, legislative, and judicial authorities, the bureaucracy and the law enforcement agencies—means that public perception of official behavior has undergone a serious decline.

The activities of criminal syndicates, often in association with terrorist and other extremist organizations, permeate all levels of society, especially since the prosperity of such criminal actors enables them to buy or coerce the cooperation of many of the otherwise respectable sectors of society. These include professional organizations (law firms, accounting firms, public relations firms, and others), financial institutions, business entities of all types,

THE INTERNATIONAL
ECONOMY
THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY
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Washington, D.C. 20002
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high-tech companies, and even non-governmental organizations, thereby spreading infection throughout society.

There is, however, great disparity among the countries of the world as to how corrupt they are. According to four

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rankings of corruption, there is remarkable agreement on which are the five least-corrupt countries.

Four countries are in every list: Denmark, Norway, New Zealand, and Finland, although not always in that order. Three of the indices list Singapore in the fifth place; one lists Singapore tied with Sweden, and one lists Sweden alone.

What are the elements that these five countries have in common? Well, many things: They are all relatively small in size and population, ranging from 148,729 square miles in the case of Finland to 283 square miles in the case of Singapore. All five of the countries have populations between five and six million people.

All but Singapore are relatively homogenous in their ethnic makeup and religious observance. But all are religiously tolerant.

All are relatively wealthy, with GDP in purchasing power parity terms ranging from US\$261 billion in New Zealand to \$702 billion in Singapore, and per capita GNP from \$50,851 in New Zealand to \$131,580 in Singapore.

Three of the countries have very low Gini coefficients (a measure of income inequality), and two have medium coefficients. All five are very high in the United Nations Human Development Index.

This would seem to indicate that there is little corruption because a high level of wealth is relatively evenly distributed. However, there are plenty of other wealthy countries in the world which have much higher levels of corruption. Some of them are also more unequal than the five, but not all.

They range all over the place in their degree of ethnic and religious uniformity as well, so that can hardly be the deciding element.

What then? There are two other factors which the five have in common and which are largely missing in countries

with substantially higher levels of corruption: very free economies but with very high social safety nets.

Denmark, for example, which is number one in three of the four lists, is first in the world in workers' rights. It is fourth-highest in the world in the percentage of the population with tertiary degrees, ninth in global innovation, tenth most competitive, and with one of the freest economies, despite taxes absorbing 46 percent of GDP.

New Zealand was the first country in the world to adopt a minimum wage, but is fourth in the world in economic freedom. Norway's productivity is the highest in the world, but so are its wages. Finland is one of the five happiest countries in the world and has the freest press, although defense spending is very high. Tiny Singapore has the eleventh largest international monetary reserves in the world, two of its universities are among the twenty best in the world, its health system is the sixth best in the world, and it is fourth in quality of life.

The combination of a very free economy and an equally high social safety net would appear to be the keys to low levels of corruption. A country with such a combination will encourage enterprise and innovation and thus sustainable high levels of growth, leading to levels of wealth capable of sustaining a high level of social services and low un-

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employment, thus disincentivizing corrupt activities at both the public and private levels, and depriving criminal organizations of the unemployed and poorly educated youth who provide them with their foot soldiers. In summary, in such countries organized crime simply does not pay.

Hundreds of billions of dollars a year are spent by countries and private entities to combat corruption, with little to show for it. Perhaps the answer to the conundrum is to examine and emulate what can be learned from the world's least corrupt countries. Free the economy from unnecessary legal and regulatory shackles, and reinforce the social safety net. ◆