

A Paradox of Corporate Perception and Perpetuation of Corruption

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ABSTRACT Conventionally the corruption perception index (*CPI*) of a country is assumed to be the true reflection of the concerned country's public (government) sector corruption on the ground that government is of the people, for the people and by the people. Country's public sector corruption (*PSC*) is still being evaluated by the perception and interpretation of the corporate sector firms (*CSFs*), which determine the frequency, volume and speed of inflow or outflow of corporate investment, domestic or foreign. So the corporate perception about *PSC* acts as a signal, green or red, for encouraging or discouraging the flow of investment of the *CSFs*. But unfortunately and surprisingly the paradox is that most of the *CSFs* are gravely involved in various names and nuances of corruption, for which they are convicted and fined by the courts of law in such a way that they are compelled either to close down or to subsist on break-even point. So the corruption of *CSFs* can indirectly reduce the country's level of investment. Hence as high *PSC* hinders or curbs country's level of investment via the red signal of *CPI*, similarly the same effect is realized via the red signal of the courts of law. Then what is the significance of the construction of *CPI* on the basis of the perception or judgment of the *CSFs* that are devoid of corporate ethics. This paper also questions the credibility of the government's credibility index (*GCI*) based on the perception of the *CSFs*. Is *CPI* itself free from corruption?

INTRODUCTION

Corruption can be defined as the deliberate and intentional exploitation of one's influence, power, position, resources or status for personal or private gain. Corruption is the "abuse of public power for private gain" (WDR 1997). We are living in a world threatened by global unsustainability-syndrome, which is represented by the coexistence of ecological instability and social instability, given the exogenously and autonomously determined natural instability indicated by natural catastrophes or calamities. Corruption is one of the oldest but rival and common indicators of social instability. Corruption is as old as it is widespread. If there were any doubt, it was dispelled in 1997 when a team of Dutch archaeologists at an excavation site in Rakka, Syria discovered cuneiform inscriptions, an archive from the thirteenth century B.C., that included data about an Assyrian princess accepting bribes. Corruption not only distorts fair competition, it makes it impossible for millions of people, especially in developing countries, to earn an honest living (Eigen 2002). If Kautiliya (4th century B.C.) were writing his treatise *Arthashastra* today, 40 ways of corruption would be substituted with the 40 billion ways. If Marx were alive up to

1991, he would be surprised with the erosion of *USSR* socialism by corruption. Beyond doubt, *USSR* was the corrupt society (Simis 1982). If Rostow were surviving today, he would realize that his "Age of high mass consumption" has been substituted with the "Age of high mass corruption". If Socrates (469-399 B.C.) would be accused of the baseless charge of "Corrupting the Athenian Youths" today, he would never be compelled to drink a cup of hyper-poison to end his life. Aristotle (384-322 B.C.) rightly said that "It is only upon this earth that death and corruption occur" (Stace 1972). No country is free from corruption irrespective of her degree of development, size and social structure. It is an all-embracing term. It has multitude of names and nuances. It is constantly being redefined by our society. There is a sustained search for defining corruption (Philip 1987; Gardiner 1992; Johnston 1996; Philip 1997). The attitudinal definition of corruption (Gibbons 1988) is also existent in the literature. In the theory of firm, land, labor, capital and organization are conventionally assumed as the four factors of production. But there are countries (e.g. Sudan) in which corruption is treated as the "fifth factor of production". The preferred list of the various names and nuances of corruption is given by bribery, graft,

embezzlement, kickback, nepotism, favouritism, extortion, bending of rules on one's own behalf, on the party's behalf, on group's behalf, gift transaction, consideration, commission, sinecures, gratuitous emolument, pluralist holding of office by leading officials, patronage, perquisite, venality, adulteration, forgery and undue profiteering. Perception and identification of corruption are much easier than its definition and interpretation. Historically corruption is succeeded by non-corruption. Culture-specific corruption has been substituted with cultural corruption. It is both ancient and global phenomenon. It is not static, rather dynamic. Like headache it is not confined only to a particular orbit of the society. Rather like alcohol, cancer or oil-slick, it transmits over the whole body of the society. It is self-perpetuating and does generate a vicious cycle of poverty. Corruption is a powerful enemy of good governance and the absence of corruption is an important element of an environment conducive to development (Eigen 1996). The formula of corruption (Sen 2003) invented by Klitgard can be given by: $\text{Corruption} = (\text{Monopoly} + \text{Discretion} - \text{Accountability})$. Central Vigilance Commissioner of India, N. Vittal said that "Corruption is like AIDS. AIDS comes out of uncontrolled sexual behaviour and corruption comes about due to uncontrolled financial behaviour" (Kidwai 1999). Many are interested to know: What is the problem about corruption? (Leys 1965); When is corruption harmful? (Rose-Akerman 1996); Is eruption of corruption possible? (Naim 1995) Corruption may be unilateral (when corrupt-outcome is enjoyed only by the concerned party), bilateral (when two parties enjoy the corrupt-fruit) and multilateral (when corrupt-output is shared by many parties). Further corruption may be clean (or transparent?) and dirty (or unclean!). If bilateral corruption occurs on the precondition that the first party (say, bribe-giver) will be satisfied with the realization of the task or transaction for which the pre-agreed price was given to the second party (say, bribe-taker) such corruption is called transparent corruption. In other words, if bilateral corruption occurs smoothly obeying the "give-and-take" policy, such corruption is treated as transparent. On the other hand, if the first party (bribe-giver) is fed up and tired of with the iterative request, approach or appeal to the second party (bribe-taker) to whom pre-bargained price was prepaid for the realization of pre-agreed task

or transaction, then such corruption is called dirty corruption. Noteworthy that "give-and-take" policy is almost always violated by the second party. If corruption becomes transparent, when will we hear "corrupt corruption" or "corruption is corrupt itself" by the principle of reflexivity? The dirty corruption is synonymous with the corrupt corruption. Philadelphia judges had "a rich history of corruption" that called into question how fairly city laws are enforced (Fund 2006). Is "globalization of corruption" impossible like "globalization of terrorization" in the era of "globalization"? Corruption creates negative externality which inflicts uncompensated costs to the society. It is the inevitable and eventual consequence of "lawlessness-syndrome" of the government. On March 15, 2002 the US President Mr. George W Bush said (Press Trust of India, *The Statesman*, March 15, 2002) that "The USA will reward nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery". Bush also said that "Countries that live by these three broad standards—ruling justly, investing in their people and encouraging economic freedom will receive more aid from America". The "survey on corruption" [Editor, *Anandabazar Patrika* (Bengali), April 26, 2004] conducted by the World Bank Institute (2004) reveals that any country irrespective of whether it is developing or developed bears the cost of corruption amounting to one billion per year. Corruption brings about cimmeria or perpetual dark to the society. Honest peoples are suffering from claustrophobia living in the dent or tent of corruption. Corruption-consteration is running after the chemistry. People are trying to find out the correct chemotherapy of crescent corruption-carcinoma of the society.

SUSTAINABILITY

Dynamic human life is three-dimensional (Konar 2007). The three human dimensions are natural dimension (ND), ecological dimension (ED) and social dimension (SD). Each dimension interacts with the humans. The unique criterion by which humans rank highest in the scale of species is "socialization" which is of two types such as (i) "internal or societal socialization" or "socialization of SD" and (ii) "external socialization". The sole objective of this criterion is to arrange such "actions" which can enhance the awareness and ability of humans to conduct their

lives better than they are still doing now (or a more sustainable way of living). The *SD* is stuffed with the non-exhaustive and indicative set of various sub-social dimensions (*SSDs*). The preferred names of *SSDs* are economic, political, sociological, cultural, religious, ethical, moral, spiritual, familial, sexual, marital, gender, scientific, technological, philosophical, commercial, public, private etc. The interaction among the humans themselves within the human species is called internal socialization. In other words, the intra-*SD* or inter-*SSDs* interaction is called internal socialization. The primary means of internal socialization are intellectuality and knowledge. The secondary means of internal socialization are cooperation and competition which are treated as complementary opposites without which human society can not survive. But the action (not interaction) of *SD* with the *ND* and *ED* is called external socialization. External socialization is of two types such as (i) socialization of nature and (ii) socialization of ecology. The reactions (or feedbacks) of *ND* and *ED* toward the *SD* are respectively called naturalization and ecologization of *SD*. Now the future fate of human society is determined by the mode or way of intra-*SD* (or inter-*SSDs*) and inter-dimensional interaction (or interaction among *ND*, *ED* and *SD*) of three dimensional human life. Hence sustainability or unsustainability means simultaneous stability or instability of *ED* and *SD*, given the *ND* (Konar 2007). The stability and instability of *ND* are indicated by natural life-support system and natural catastrophes respectively which are non-anthropogenic. But there is a part of *ND* over which human mastery has created natural stability (e.g. regeneration of renewable natural resources) and natural instability (e.g. exhaustion of non-renewable natural resources) that are anthropogenic. The indicators of ecological stability can be reduced to equilibrium or homeostasis of the ecology, while the indicators of ecological instability can be described by the disequilibrium or disharmony of the ecology. The most frightening common indicators of social instability are poverty, inequality, terrorism, warfare, masculinized “war against women” (French 1992), civilizational clash, corruption, child-labor, militarization, assassination, inhuman trade of people etc. But the examples of common indicators of social stability are too few to need reiteration. The sole objective of inchoate sustainability revolution that started life since the 1970s is to

arrange such precautions, preconditions, principles and policies so that both the ecological stability and social stability can be materialized, given the non-anthropogenic natural stability or instability. In fine, sustainability is both euphemism and euphuism for survival of human species which is an enlightened self-interest (Konar 2007), as opposed to destructive self-interest. If sustainability is to be renewed (as return to pristine sustainability is impossible), “socialization of sustainability” backed up by human trinity indicated by “rationality, consciousness and morality” vis-à-vis “sustainability of socialization” is inevitable.

OBJECTIVES

Today we live in a world which is under the emerging threat of global unsustainability-syndrome. Unsustainability refers to the coexistence of ecological instability (*EI*) and social instability (*SI*), given the non-anthropogenic natural instability (*NI*). There are as many types of sub-social instability (*SSI*) as there are circumstances in the human *SD*. Each *SSI* has a particular set of indicators. All the sets of indicators of *SSIs* are not necessarily mutually exclusive. Corruption is one of the common indicators of *SI*. Deliberately bypassing all other common indicators of *SI*, we shall now concentrate only on the single common indicator of *SI* namely corruption. This paper has been designed to examine the sixteen sub-sections which are observed and discussed below.

OBSERVATIONS AND DISCUSSION

Genesis of Origin of Corruption

In every country both the private sector and the public (government) sector mutually coexist. Corruption persists both in the private and public sectors. But the people are more interested in the public (government) sector corruption, since “government is of the people, for the people and by the people”. Government is generally consisted of three separate sets of powers and each set of power has its assigned role. These three divisions are (i) legislative, which is assigned the role of enacting the law, (ii) executive (the core government), which is assigned the role of implementing the law and (iii) judiciary, which is assigned the role of interpreting and applying

the law. In the public sector, corruption occurs owing to the existence of common domain between the private man's private life and the public life. The public life of most private men is not what it seems, and seems what it is not. The dual nature of dual faced private man is responsible for the public sector corruption. Most of the public sector corruption is confined to bureaucratic and political corruption. In any (non-socialist) country, every individual's first identity is that he/she is a citizen of that country and his/her second qualification is that he/she is still being brought up under the direct influence of private sector comprising of households and firms, though public sector's indirect influence can not be denied. If private sector is treated as mother, the public sector will be conceived as the father or guardian of a citizen. Privateness is innately ingrained in human social dimension. His/her recognition as a private individual remains intact unless and until he/she interacts with the public sector as an official, employee or politician. Once a private individual introduces himself in the public sector, his life is dichotomized into private life and public life.

The interests of private life and public life are conflicting, which act as the origin of corruption in the public sector. In truth, public sector corruption occurs due to existence of common interest or the intersection between the private individual's private life and public life as shown in the figure 1. For example, suppose Mr. A is the health minister of a state in India. He has been offered a car among other things only for ministerial movement. But if this car is used by his family members to satisfy their own purposes, this usage of car implies the exploitation of minister's resources (public resources) for

satisfying the purpose of his family (private gain), which is called public sector corruption. Similarly if the same reasoning is applicable to a manager of a company, corporate sector corruption will occur. Private sector firms or corporations are also involved in corruption. Corporate corruption occurs for satisfying the interest of either of corporate owners and corporate managers (or officials) or the both. The essential distinction between the public sector corruption and private sector corruption is that while in the former case corruption is brought about by the private man's publicness only to satisfy his private interest, in the latter case it is brought about by the managers or officials to satisfy the interest of either of the managers and the owners or the both of the corporation. When corporate corruption is brought about by the managers only for the satisfaction of their own gain, no distinction is found between the public sector corruption and corporate corruption in the sense that the dual face of the corporate managers coincides with the dual face of the public sector's private men. Human everywhere is assumed to be an instinctively a grabber and is ever on the lookout for opportunities to make acquisitions. This instinct becomes intensifying when the environment for dishonesty and "under-the-table transactions" is favourable. On the other hand, some (Gill 1998) say that "It is not a characterological problem either. The same Indians, when they go abroad, become very disciplined and honest workers. Rajni Kothari says:it is not corruption that has brought us to where we are, but rather a social and political vacuum arising out of large scale erosion of both institutions and values that has given rise to the growing incidence of corruption". But who will bell the cat? Bible says that "If the

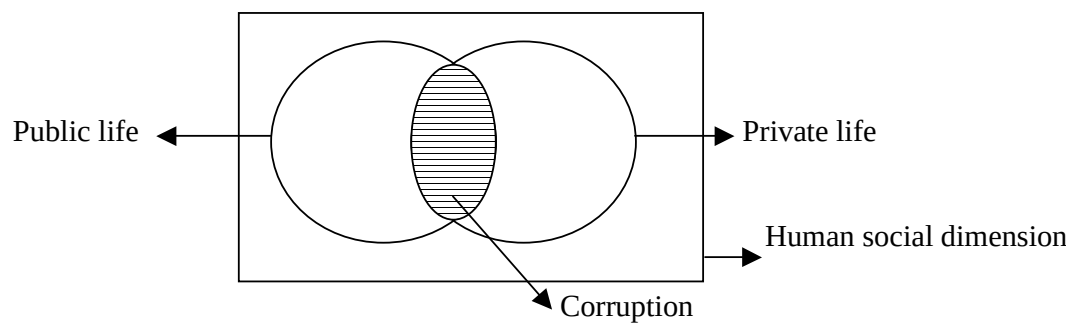


Fig. 1. Common interest or the intersection between the private individual's private life and public life

salt has lost his savour, wherewith shall it be salted?" If corruptibility is assumed to be one of the many sub-social instabilities of *SD* in three dimensional human life, the possibility of "correction of corruption" should not be ruled out in the same way as other woeful social instabilities are being tamed, since "men can change what men have made" (Piggott 1962).

Illegal and Corrupt Activities of CSFs

"Corporate world" should be renamed as "corrupt world". Evidences reveal that the sizeable members (or firms) of the Fortune 500 (Kesner et al. 1986) — the largest and the most profitable firms in the *USA* are also involved in various kinds of illegality, violation and corruption. In *USA* an impression persists that big business will "do whatever it can get away with", violating the law not to cope with environmental pressure but to take advantage of opportunity. Corporate wrongdoing, violation, illegality, corruption etc. occur owing to the erroneous assumption that optimization of interest through running corporate business is not possible without illegality or corruption. To satisfy the objective of optimization, corporate can adopt any kind of illegal or corrupt means which are the denial of corporate social responsibility, corporate value, ethics, societal standard of fairness or justice. Some corporations have such intrinsically embedded cultures that reinforce illegal or corrupt activity. Further corporate illegality or corruption is still persisting owing to the significant deficiency of proscription and punishment for the convicted corporations. The current standard of punishment does not deter illegal or corrupt behaviour, rather committing illegal or corrupt activities teach the corporations how to execute further illegality or corruption.

The literature on corporate crime, wrongdoing, illegality, violation and corruption is stuffed with various works (Lane 1953-54; Conklin 1977; Clinard and Yeager 1980; Bhagwati 1982; Vaughan 1982; Sz wajkowski 1985; Wall Street Journal 1989; Baucus and Near 1991; Ades and Di Tella 1997; Hisamatsu 2003). Corporate corruption has recently reached the apex point in China (Hutton 2007). In China almost all private companies hide revenues, cash and profits from outsiders' eyes and from potential political direction. Only 1% of private Chinese companies subject themselves to independent audit. Most Chinese companies have three sets of accounts — one for the banks,

one for the tax authorities and one for the management. Most private firms do not last long, with the average duration being three years. The law of the jungle prevails: you do what you can get away with. China is the counterfeiters' paradise, where intellectual property rights are neither respected nor enforced. Inevitably, the private sector devotes much of its strategy to currying favor with the Communist Party and key officials, who are only too willing to trade privileges for bribes. An inadequate, soft public infrastructure of auditing, banking and corporate governance had interacted with the dynamics of Leninist corporatism and de facto state control — with the result being the company's destruction. Enterprises are accountable to no one but the Communist Party for their actions. There is no network of civil society, plural public institutions like a free press or representative government and property rights to create pressure for enterprises to become more environmentally efficient. There is also evidence on corporate corruption as an incentive for foreign direct investment (Egger and Winner 2005).

What is the significance of pre-conditional hubbub for preparing prerequisite precautions, principles and policies for inchoate sustainability revolution that started life since the 1970s when corporate managers are guided by the "myopic behaviour" in which "manager's morality" is missing? Myopia means that when a corporate firm optimizes his own interest through corrupt corridor, he assumes that other firms will not follow suit i.e. his micro-corruptibility is too insignificant (i) compared to the vast spectrum of corporate firms to induce the other firms to resort to corrupt custom and (ii) compared to the impact on the global sustainability to impact the micro-sustainability. But if all the firms suffer from myopia i.e. if they act independently and identically but simultaneously, can any firm imagine the potential status of global sustainability? Myopia also implies that irrespective of global sustainability, the sustainability of any firm is secured. An analogy is that if one spoonful of water is drawn out from the vast ocean, the water level of the ocean will remain intact.

Corporate corruption inflicts three-fold cost to the society such as natural cost, ecological cost and social cost which are not reflected in the prices of the commodities. If these costs are included in the total cost of production, the socially optimal level of corporate production will

be much below the corporate optimum level. But “More production of material goods and services conducive to comfort may be detrimental to the satisfaction of ‘higher’ needs such as love, friendship, silence, solitude, contemplation, aesthetic and religious experience” (Weisskopf 1970).

Further business associations of formal or informal firms are much interested in safeguarding the interest of the member-firms at the cost of illegality, violation and corruption. Compared to business associations of formal sector firms, those of the informal sector firms are more efficient in wrongdoings. In a word, business associations—formal or informal are least interested in socially beneficial functions, which means that business associations act as an inducement to corporate illegality or corruption.

Relation between Illegality and Corruption

“Not all illegal transactions are corrupt, nor are all instances of corruption or bribery illegal and there are transactions which may be neither illegal nor corrupt” (Bardhan 1997). Bardhan’s remark does not mean that no *CSF* is corrupt. If a significant portion of the American Fortune 500 corporations are involved in rampant illegality and corruption, can one imagine the position of other small and medium corporations or firms in the countries known as “lawless states” or “soft states” (Myrdal 1985). Apart from formal corporations or firms, every country is stuffed with surprisingly innumerable informal firms that hardly obey law, business ethics and social responsibility. Irrespective of whether corruption is legal or illegal, it should be acknowledged that corruption is not consistent with the label “civilized human values”, which is based on “morality, consciousness and rationality”, since “human beings retain a moral value which is irreducible” (Wilkie 1993).

Determinants of Corporate Illegality

Among many the following seven determinants of corporate violations or wrongdoings are significant (Baucus and Near 1991):

- (i) Firms operating in an environment with scarce resources will be more likely to commit violations than firms in munificent environments.
- (ii) Firms operating in a dynamic environment will be more likely to commit violations than firms in a stable environment.

- (iii) Firms operating in a heterogeneous environment will be more likely to commit violations than firms in a homogeneous environment.
- (iv) Firms with poor financial performance will be more likely to commit violations than firms that are performing well.
- (v) Large firms will be more likely to commit violations than small firms.
- (vi) Firms with low levels of slack resources will be more likely to commit violations than firms with high levels of slack resources.
- (vii) Firms with a history of violating the law will be more likely to commit violations than firms without prior convictions.

Creators of Inter- or Intra-Country *CPI*

Various national and international organizations are engaged in the construction of intra-country and inter-country corruption-indexes (*CI*s). The preferred examples of such international organizations are (i) Transparency International (*TI*) (Berlin based non-profit *NGO* and the founder of *CPI*), (ii) Business International (*BI*), (iii) World competitiveness Report (*WCR*) (EMF Foundation), (iv) Impulse (a German Business Publication), (v) International Country Risk Guide (*ICRG*) (a Publication of Political Risk Services) and (vi) A private sector survey conducted for World Development Report (*WDR*) 1997. Most of the organizations construct *CI*s on the basis of the perception and interpretation of *CSFs*. For example, the private sector survey conducted for the *WDR* 1997 considered the perception of 3685 responding firms from 69 countries in the world. Besides, there are countries which have different variants of *CI*. For example, the Central Vigilance Commissioner (*CVC*) of India, N. Vittal (*The Statesman*, April 06, 2002) prepared the “Probity Perception Index” (*PPI*), comprising of (i) “Vigilance Intensity Index” (*VII*), (ii) “Meta Perception Index” (*MPI*) and (iii) “Field Study Index” (*FSI*) in 2002. Here we assume that the value of *CPI* is positively related with the level of corruption.

Examining the Consistency between *PSC* and *CPI*

In *Arthashastra* Chanakya or Kautilya, the minister of King Chandragupta Maurya (321-297 B.C) said (Shamashastry 1961):

Just as it is impossible not to taste the honey or the poison that finds itself at the tip of the

tongue, so it is impossible for a government servant not to eat up, at least a bit of the king's revenue. Just as fish moving under water can not possibly be found out either as drinking or not drinking water, so the government servants employed in the government work can not be found out (while) taking money.

The Chinese assign each year with an animal's name. If it is so, the year 2007 should be marked as the "Year of Rat". For the fittest "actors" of both public and corporate sectors of China are "eating at its very vitality like rodents". Great historian Edward Gibbon described corruption as "the most infallible symptom of constitutional freedom". When somebody wanted Edward Gibbon to tell in one word the cause of the fall of Roman Empire, he said, "Corruption" and added, "yes, corruption, amorality and lust for powerdestroyed the Roman Empire which ruled almost the entire known world for more than 300 years" (Gill 1998). An old proverb says that "Wherever government exists, there is also corruption". But it should be remembered that the converse is not true. If any one, two or all of the three divisions of the government (legislative, executive and judiciary) are corrupt, who will fight against corruption — one of the common indicators of *SI* and thereby to rule out the threat of unsustainability? Can a corrupt individual fight against corruption? Will the perception of a corrupt individual be transparent about the corruption of another individual? Will a thief be entrusted with catching another thief? Another old proverb says that "a thief can catch another thief" with minimum time, toil and trouble, since he/she possesses much experience of theft. So the *CPI* should be constructed on the basis of the corrupt activities of public sector only provided that the private sector is transparent. But if private sector is corrupt while public sector is not, *CPI* should be constructed on the basis of the corrupt activities of private sector alone. But if both sectors are corrupt, *CPI* should be based on the both sectors, not on either of the two sectors.

Examining the Compatibility of the Construction of *CPI* on the Perception of *CSFs* only

No question regarding the consideration of the perception of *CSFs* for the construction of *CPI* should arise if the firms are transparent or uncorrupt. But since they are not so, this question should be raised. If *CPI* is measured by the level

of *PSC* through the perception of the corrupt *CSFs*, either of the two kinds of outcome may appear as follows: (i) the *CPI* will be biased in favour of the *CSFs* which will encourage them to accentuate corruption and (ii) the *CPI* will be unbiased just as the "task of catching a thief by another thief" is justified. Hence the *CPI* should be constructed on the perception of the different groups of people according to the pre-assigned weights to safeguard or revive corporate ethics, values and social responsibility. For example, *CSFs* should have 20% weight, public sector officials or bureaucrats 10% weight, social scientists 40% weight, NGO 10% weight, general citizens 20% weight or the like in the construction of *CPI*. The monopolistic perception of the corrupt *CSFs* for the construction of *CPI* should be ruled out.

Rationale behind the Construction of *CPI* by the Perception of *CSFs*

An impression (WDR 1997) persists that *CPI* based on the perception of the *CSFs* acts as the signal to the firms for encouraging or discouraging the investment of the *CSFs* in the country. If this is so, *CPI* and the investment of *CSFs* should be negatively related to each other, since higher value of *CPI* indicates higher level of corruption. That is why government should come forward equipped with adequate measures to reduce or rule out *PSC* to attract more corporate investment for the growth of the country. For the growth of a country positively depends on the level of investment. Thus *CPI* is treated as one of the determinants of investment of *CSFs*. But are we sure that *CPI* constructed on the perception of corrupt *CSFs* is unbiased or just? In other words, can the perception of corrupt *CSFs* determine the "true value" of *CPI*? My opinion is that corruptly biased *CSFs* can never determine the unbiased value of *CPI*. If *CPI* is based on the perception of the corrupt *CSFs*, there is every possibility that *CPI* will exhibit "upward bias", which means that the "face value" of *CPI* will be higher (which means higher level of corruption) than its "true or intrinsic value" and in consequence private investment will largely be discouraged. But if the *CPI* has "downward bias", which means that the "face value" of *CPI* is lower (which means lower level of corruption) than its "true value", private investment will be much encouraged. But the possibility of the latter is ruled out owing to the upward bias of *CPI* based

on the monopolistic perception of the corruptibly biased *CSFs*.

Relation of Corruption of *CSFs* with the Country's Level of Investment

Earlier it has been stated that the *PSC* reflected in the *CPI* based on the perception of the (corrupt) *CSFs* determines the level of private corporate investment of that country. Thus higher value of *CPI* (which means higher level of corruption) detracts private corporate investment. But are we sure that if the *PSC* is nil or least, the level of private corporate investment will not fall if the *CSFs* are corrupt? No, the existing level of private corporate investment must fall if the country's law and order are rigid or lawlessness-syndrome is non-existent. For the corrupt, illegal or criminal *CSFs* will be convicted by the courts of law and then be fined or punished. Evidences reveal that owing to the very high degree of corporate illegality or corruptibility, they are punished or fined by the courts of law to such an extent that they are compelled either to close-down or to subsist at break-even point. Does closing-down or heavy cost of punishment not indicate the fall in existing level of private corporate investment? Thus we find that as the *PSC* hinders the inflow of private corporate investment through the means of *CPI* (when *CPI* is higher), similarly private corporate investment is hampered or curbed through the means of conviction by the courts of law owing to their own embedded culture of corruption.

Can Corporate Corruption Induce the *PSC*?

Corporate corruption can not keep the public sector transparent. For like corrupt corporate managers or officials, the public men including officials, bureaucrats and politicians are also humans, not super-humans, who are assumed to remain independent of the corrupt practices. Thus transparent public sector may be corrupt owing to corrupt culture of *CSFs* and hence corporate corruption may perpetuate the country's corruption. How public sector and corporate sector are correlated relating to corruption will be obvious if one shifts through the recent China's alluring path of corrupt development (Hutton 2007). The *PSC* is brought about by the *CSFs* only through official, bureaucratic and political nexus, interrelationship or interconnectedness.

The *CSFs* induce and persuade the bureaucrats including excise officials, tax officials, law enforcement agencies and the like as well as the politicians to deal with corruption. For the *CSFs* possess adequate monetary power but no legal or political power, while the bureaucrats and politicians have the opposite. Hence the only way by which both parties can gain is corruption as the custodian of mutual gain that can occur only through tacit collusion between the two complementary opposites.

Consistency of the Perception of Foreign *CSFs* in the Construction of *CPI*

Sometimes the perceptions of foreign individuals (firms, consumers or citizens) are conceived for the construction of *CPI*. This criterion is also unjust. For the foreign individuals are almost ignorant of the various *SSDs* of *SD* of another country. So the distorted perception and interpretation of foreign individuals may distort the *CPI* of a country.

How Credible is the *GCI*?

We may now question the credibility of the *WDR* 1997 in which the *GCI* has been constructed on the basis of the perception of the corrupt corporations. The *CPI* is one of the five constituent indexes of the *GCI*. So is it possible to realize the credible *GCI* in which the "corrupt index of corruption" is embedded? Thus the critical review of *WDR* 1997, in which even the "Foreword" page is devoted to the discussion of state's credibility and corruption, is implicit in this paper. The credibility of *WDR* 1997 is questionable, since it has been prepared on the basis of the "corrupt perception and interpretation" of the "corrupt corporations" and hence the *WDR* 1997 should be renamed as "Woeful Development Report 1997" in which world-wide corporate corruption is corruptibly reported.

The development index of a country is positively related with the inducement or propensity to invest of the existing and potential investors or firms, which in turn is positively related with the government's credibility index (*GCI*). The *GCI* is constituted with the following five sub-indexes:

- (i) Index of unpredictable changes in laws and policies of the government.
- (ii) Index of instability of the government.

- (iii) Index of insecurity of persons and property in the country.
- (iv) Index of unreliable judiciary in the country.
- (v) Corruption perception index (*CPI*).

On the assumption that higher value of each index implies higher level of that variable, each of the foregoing five sub-indexes is inversely related with the *GCI*. In World Development Report 1997 (*WDR* 1997) it has clearly been stated that the *GCI* and its five sub-indexes were constructed by the private sector survey sponsored by an international organization with considerable name and recognition in the developing countries on the basis of the perception of the 3685 responding firms from 69 countries in the world. The survey findings indicate that the responding firms are dissatisfied or satisfied with the higher or lower values of sub-indexes of the *GCI*. For the latter acts as the discouraging or encouraging catalyst for the investors. Deliberately bypassing the *GCI* and its other four sub-indexes if we concentrate on *CPI*, it becomes obvious that the *CPI* constructed on the basis of the perception of the *CSFs* informs whether investment decision should be undertaken or not. If the *CPI* is higher or lower, private investment should be rejected or accepted. Since *CSFs* are corrupt, so their perception can not bring forth unbiased nature of any kind of index. If the whole *WDR* 1997 is distorted due the distorted perception of *CSFs*, so no index embodied in it can be credible.

How is *CPI* related with Major Macro Variables?

How major macro variables are related with the *CPI* will be obvious from the following epitome:

- (a) Government's credibility index is inversely related with the *CPI*.
- (b) Government's policy distortion index is positively related with the *CPI*.
- (c) Country's predictability of judiciary index is inversely related with the *CPI*.
- (d) Country's growth is inversely related with the *CPI*.
- (e) Country's level of investment is inversely related with the *CPI*.
- (f) Merit-based recruitment index is inversely related with the *CPI*.
- (g) Sustainability index is inversely related with the *CPI*.
- (h) The poverty index of a country is positively related with the *CPI*.

- (i) Coupling of corruption with inflation gives rise to "corruptflation".
- (j) Corruption intensifies terrorism and their mutual interaction constitutes "corrupt-terrorism".

What is the Paradox?

But the surprising paradox appears in the episode when the *CSFs*, who are tired of and fed up with the higher value of *CPI*, are rampantly involved in the diverse names and nuances of corruption. Thus the *CSFs* possess dual face or role: one is to perceive the *PSC* and the other is to produce and perpetuate corporate corruption. The *PSC* perceived by the *CSFs* is treated as awfully bad, but corruption produced and perpetuated by the *CSFs* is treated as blissfully good. Now I can not refrain myself from the witty question: "Should corporate thief be entrusted with the duty of catching the public thief?" One may answer in positive. For the *CSFs* have much experience in the act of theft (here corruption).

Is Corruption not Embedded in *CPI*?

In truth, the tacit collusion between the corrupt officials of both the corporations and the government organizations has created such a vicious cycle of corruption by which the *CPI* has become an elusive concept and hence the significance of the nomenclature of the *CPI* is wittily consistent, since it should be treated as the "corrupt index of corruption", in the sense that it is the "index of country's corruption" in which the corrupt practices of the corrupt officials of both the public and corporate sectors are intrinsically and subtly congealed. Further *CPI* has Northern-bias beyond doubt. The *CPI* should be constructed on the basis of the perception of various groups of peoples assigning a given distribution of weight, since there are as many groups as there are types of need or interest of humans in the society. So *CPI* is not free from corruption.

How are Sustainability and Corruption Related?

As corruption of a country is measured by its index, called corruption index (*CI*), similarly sustainability of a country is measured by its index, called sustainability index (*SI*). There are many variants of both the *SI* and *CI*. Of various

corruption indexes the *CPI* is the invention of the Transparency International (*TI*) [<http://www.transparency.de>]. The *CPI* is published every year by the *TI*. The *CPI* is based upon a perception of corruption amongst a particular group (mostly Northern-based business people, albeit described in the *TI* reports as 'well-informed people') towards countries with which they have experience (Lambsdorff 2002). The *TI*, the founder of the *CPI*, is said to be "the prime global source of information on, and analysis of, corruption in all of its forms" (Davies 2004). The way in which the survey results are combined into the *CPI* is complex. The result is an aggregated index in the sense that it is composed of other sub-indexes of corruption. The *CPI* is assumed one of the best measures of corruption currently in place largely because it utilizes such a wide range of sources rather than relying on just one (Wilhelm 2002). Here we shall assume that higher or lower value of *CPI* indicates higher or lower level of corruption, though *TI* treats the inverse relation between the value of *CPI* and the level of corruption.

Recently "Environmental Sustainability Index" (*ESI*) is being used to measure the sustainability. There is a multitude of works (Khanna 2000; Esty 2001; Bisbort 2003; Ekins et al. 2003; Ekins and Simon 2003; Isaksson and Garvare 2003; Parris and Kates 2003; Ebert and Welsch 2004; Krajnc and Glavic 2005) on the *SI* in the literature. The *ESI* was first published in 2001. Since its inception *ESI* has gained much popularity at least in the popular media (Morse 2004; Morse and Fraser 2005). The true value of the *ESI* is the ability to break down the score on an issue by issue basis (Esty 2005). The increase or decrease in the value of *ESI* means increase or decrease in the status of sustainability. The *ESI* methodology can be found in the various reports of the *ESI* (<http://sedac.ciesin.columbia.edu/es/esi/>). The *ESI* is by no means the only index or indicator of sustainability (Sutton and Costanza 2002). The increasing popularity of the *ESI* is due to the fact that it is backed up by the powerful World Economic Forum (*WEF*), and its release coincides with high-profile *WEF* meetings. The *ESI* is a thorough index in the sense that the rationale, methodology, and component data sets are carefully laid out in widely available documentation (<http://www.ciesin.columbia.edu/indicators/ESI/>). This greatly facilitates the use of the *ESI* for relating environmental sustainability to economic

performance (Morse and Fraser 2005) as well as corruption. There are many works (Lopez and Mitra 2000; Robbins 2000; Levy 2001; Damania et al. 2003; Welsch 2004; Morse and Fraser 2005; Esty et al. 2005; Liu and Diamond 2005; Morse 2006; Hutton 2007) which show that corruption and sustainability are inversely related with each other. Thus higher or lower level of corruption leads to lower or higher level of sustainability. It is worthy to note that no *SI* is free from limitations. The *ESI* can be criticized on the following grounds: (i) it has various sub-indexes, the selection of which depends on the discretion of their creators and (ii) it also suffers from fundamentalism, which means tradition defended in traditional way. Tradition refers to the customs, beliefs, practices, ceremonials, rituals etc. by which the past can be substituted for the present. Fundamentalism can arise wherever traditions are under threat (or challenge) or are being eroded. Fundamentalism can be created or reinvented in all the dimensions and *SSDs* of *SD* in three dimensional human life. Sustainability index should be constructed on the basis of the equitable distribution of weights among the three dimensions and various *SSDs*. Most of the *ESIs* attach much emphasis on natural and ecological factors with assigning least weight on *SD* in three dimensional human life. From the inverse relationship between the sustainability and corruption it can be argued that the countries, like Finland, Norway, Switzerland, Sweden etc. which are eulogized for the possession of lower level of corruption, must be labeled with higher growth generating countries. This inverse relation between sustainability and corruption is derived from the two hypotheses: (i) Growth of a country indicated by per capita income is inversely dependent on corruption and (ii) Sustainability of a country is positively dependent on per capita income. In consequence, what we get is that sustainability inversely depends on corruption. These two hypotheses can be criticized with definite empirical findings. These two hypotheses can be falsified by the presently social and ecological status of China (Liu and Diamond 2005; Hutton 2007). China's higher rate of growth has been coupled with unprecedented social instability indicated by extreme lawlessness syndrome, corruption (corporate, bureaucratic and political), gender instability (that leads to declining woman-man ratio), secular supremacy of the Communist Party backed up by kleptocracy

and gravely ecological or environmental instability. In truth, like *USSR China's* camouflaged or disguised communist veil is being dismantled by the internalized social and ecological instability. The network of lawlessness is the chief cause of China's first-order environmental crisis (Hutton 2007).

CONCLUDING REMARK

The charity should be started at home and "corporate concept" should be reconstituted in the light of emerging threat of global unsustainability-syndrome, since corruption of any origin encourages unsustainability in the names of social instability and ecological instability, given the natural instability. The *CSFs* have forgotten to remember that business sustainability is positively related with the societal sustainability. Owing to self-interest optimizing fetishism of the corporations, they are still continuing such illegal, criminal and corrupt activities that aggravate not only ecological instability, but the social instability too. Ronald Coase (*WDR* 2002) said: "Corporations exist to economize the cost of buying and selling everything under the sun". This does not suggest that corporate illegality including corruption should be prioritized for the foregoing economization. "J. R. D. Tata, who has been instrumental in conducting the first social audit in India and perhaps in the world, is of the opinion that while on the side of production-growth-efficiency, Indian industry has, on the whole done remarkably well, usually against odds and in spite of crippling infrastructural shortages unknown in advanced countries" (Singh 1996). Business is only one of the various *SSDs* of *SD* of three dimensional human life. Profitability (not profiteering) is the necessary, not the sufficient condition of business sustainability. Wherever business firm sustains, there is also profit. But the converse is not true. That is wherever business firm makes profit, there is no any guarantee that the sustainability of business firm will be ensured. Business sustainability depends on other non-profit elements which can be encapsulated in "social and ecological responsibility". Social responsibility includes business ethics, morality, rationality, consciousness, accountability, credibility, cooperation and the like. In this context it is much worthy to recall the remark that "...upon this wealth of goodness—where honesty is not valued for being the best policy, but because it can afford to go against all

policies— man's ethics are founded" (Tagore 1988). I am now pleased to reiterate my alliterative apophthegm that "Awareness, altruism and action altogether alleviate / abate almost all acute adversity amid associative abode". Whatever ink is spilled in the explosion of literature no positive outcome can be materialized without deliberately bold action. Similarly the most awful sub-social instabilities like terrorism, warfare, gender instability, corruption and poverty can not be wiped out without action, awareness and altruism. Despite the adoption of various preconditions and precautions corporate corruption is still increasing at an increasing rate leading to eventual aggravation of unsustainability via proximate intensification of ecological instability and social instability. We should also recall another important remark that "...how moral obligations and trust in society shape the relationship between citizens and the state in a positive way....Brennan and Buchanan are well aware of, and even stress, the role of moral principles....moral considerations as constraining individuals' behaviour...Adam Smith...the great champion of self interest ...spent much of his life exploring the role of moral sentiments...to make the world a better place" (Frey 1997). So "I see us free, therefore, to return to some of the most sure and certain principles of religion and traditional virtue—that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin. But beware! The time for all this is not yet. For at least another hundred years we, must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight" (Keynes 1970). Now if corporate corruption is to be reduced or ruled out only through the government machinery (without cultivation or culture of moral values), government should follow the principle that: "The wild duck has dived down to the bottom as deep as she can get and bitten fast

hold of the weed and tangle and all the rubbish that is down there, and it would need an extraordinarily clever dog to dive after and fish her up again” (Keynes 1960), where the “wild duck” and “clever dog” are respectively substituted with the “corporations” and the “government”. The “future history” has “moral responsibility” to examine the compatibility of the foregoing two remarks (Keynes 1960, 1970) in relation to the inchoate sustainability revolution so that the “tiny little islet of life amid the boundless ocean of lifelessness” can be passed on to the “future generations” in “relatively more sustainable condition”.

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