

## Corruption in high places

LEADERS of the rich industrialised nations of the world have decided to preach about corruption in politics. Senior officials from the 24 countries of the Organisation for Economic Cooperation and Development are now working on a common policy that is aimed at clamping down on bribery and corruption.

Imagine it! Bribery and corruption! Where? In Italy? No. In Japan? No. Where then? Why, in the Third World, of course!

Putting an end to bribery, says the OECD, is vital as a way to improve governance - in developing countries. The multi-national corporations of Europe and North America must not be held to ransom by crooked politicians in the Third World, who want to line their Swiss bank accounts with back-handers (which can notch up to many millions of dollars if the contract is big enough).

The US is taking a hard line. It wants the recommendations to be as binding as possible. One pressure on the bribers - from the rich nations - is to disallow bribes as tax-deductible.

THIS monstrous exercise in cheek leaves one breathless. For the democratic governments of rich nations have no moral right to preach to others. During the past 12 months, the integrity of democracy has been severely damaged by the revelations that have flowed from the capitals of the western world.

- Japan's government collapsed because of a running series of revelations about corruption between big business, organised crime, and the politicians. Then, the man elected to clean up the corruption, Morihiro Hosokawa, resigned as Prime Minister on April 8 after allegations over a loan which, he insisted, did not involve malpractice.

- A similarly disgraceful series of disclosures in Italy brought down the government. There, the pattern of bribes is identical to the one that is now being documented in Japan.

- In Britain, key politicians in two major London boroughs - Westminster and Wandsworth - have shown themselves willing to "bribe" citizens into voting for them (by offering public housing for sale at well below market values, as a way of shifting voting intentions in favour of the Tory party). Their housing policies are now the subject of investigation.

- And we now have the US President himself as the target of an official investigation, because of his connections with a dubious land deal: see page 21.

What right, then, do the G7 countries have to preach to the leaders of nations that are copying what is done in the metropolitan countries?

I AM NOT condoning the use of bribery in either business or politics. What irritates is the hypocrisy that surrounds this attempt to tell others how to put their houses in order.

The question is this: how do you stop corruption? Policing techniques are a waste of time. Corruption will continue, so long as there is money to be made out of

influence over other people's money.

View the problem in terms of the workings of the markets. There is little money to be made out of the labour and capital markets. Competitive pressures serve as the best restraint on the distortions that encourage dirty deals.

In nearly all the acts of public corruption that have been documented in the last 12 months, the source of the problem is the ability to carve-up the proceeds from deals in the land market. This is clearly perceived in both Japan and Italy, where most of the corruption in public life is linked to construction companies that want favours from the politicians. The ability of politicians to exact a price for their favours is their guardianship over the use of land.

The largesse out of which to pay bribes is the rent of land. In a rational system of public finance, there would be no cream to skim off the surface: the whole of the rent of land would be going into the public coffers. This, allied with the appropriate institutional arrangements to regulate the land market (such as up-to-date assessments of values, and transparency in transactions) would remove the prospect of corruption. Under these conditions, construction companies would not be able to afford to bribe politicians.

So if democratic governments really want to raise the standards of public life, they first have to understand the dynamics of corruption. That entails a re-examination of the basis of public finance. By putting their own houses in order, first, they would be leading by example. Everything else is so much hot air.

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IAN BARRON