

Note on Corruption in International Business (A)

Societies have attempted to fight corruption for centuries. In the 4th century B.C., the Indian philosophical Kautiliya Arthashastra text outlined the “forty ways of embezzlement,” which discussed the pervasive and difficult to define nature of corrupt practices. A few centuries later, the Chinese philosopher Confucius also spoke out avidly against corruption. In today’s world, as the number of cross-border transactions has grown, and as more companies interact closely with governments, combating corruption has become a global concern.

Despite the attention that has been given to corruption over thousands of years, establishing a precise definition of corruption remains a challenge, for at least two distinct reasons. First, corrupt practices touch on distinct spheres of human activity – economic, legal, ethical, cultural, and practical. It is not difficult to identify situations where a particular decision is legal but unethical, ethical but not legal, or any of dozens of situations where different frameworks lead to different conclusions.

A second issue is that different social groups, and individuals within those social groups, disagree as to what is, and is not, corrupt behavior. One person’s guanxi may be another’s bribe, while a third’s political advocacy is fourth’s corrupt backroom deal.

But the situation is not hopeless. Broad patterns of what is, and is not, acceptable generally correspond across cultures, and the law provides at least one standard that is generally fairly precise.

Most teaching on corruption focuses primarily on the ethical perspective. While moral considerations are important, viewing them in light of legal and practical concerns presents more of a realistic and holistic situational dilemma. Political scientist James Q. Wilson once noted, “The problem with corruption is that it tends to become the Problem of Corruption. Moral issues usually obscure practical issues, even where the moral issue is a relatively small one and the practical matter is very great.”¹ This note and the accompanying mini-cases it contains provide an overview designed to facilitate class discussion of the ethical, economic, legal, and practical issues involved in corruption.

Defining and Identifying Corruption

Until the 1970s, anthropologists and development economists largely avoided corruption, possibly for fear of causing cultural offense. Since then, however, research on corruption has flourished, and it has shed new light on actions that had long taken place in the shadows. Recently, development organizations such as the IMF, the World Bank, and the United Nations have focused on combating corruption to promote development. Their work in this area often generates conflict, headlines, and controversy.



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