Corruption Behavior In Bureaucracy:
An Anti-Corruption Policy of Indonesia[1]

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Abstract

The term corruption has gained the attention of nearly all countries of the third millennium. The corruption phenomenon has affected economic performances of many nations, especially developing countries. Various studies about the effects of corruption highlight the harmful impact on growth (Klitgaard, 1988; Shleifer and Vishny, 1993; Mauro, 1995; Bardhan, 1997). Studies by the World Bank (2005) identified corruption as one of the main obstacles to socio-economic development for the poor. Transparency International has published data about the level of corruption in the form of Corruption Perception Index (CPI) since 1995. Transparency International 2003 report remarks that "nine out of ten developing countries in need of immediate support to contest against corruption" (TI, 2003:2). This paper aims to provide an overview of the theoretical and practical studies in relation to corruption with an outlook that highlights the causes of corruption, its impact on growth and the factors that can explain the impact on the individual and the state. The first section provides brief survey on the concept of corruption. The second section discusses the effects of corruption by sifting through their effect on growth (national level), efficiency (sectorial level) and the distribution of income (the individual level). The third section discusses the factors behind the various cases of corruption and the fourth section provides picture of Indonesia Policy on Corruption Eradication Commission and its performance.

Keywords: Corruption Perception Index, Corruption Eradication.

Introduction

The concept of Corruption

Corruption takes many forms and presents at various levels. It is understandable that a major step in the study of corruption lies in the answer of how to define corruption. Bardhan and Mookherjee (2005) argues that the definitions that are used in the analysis can affect the conclusions drawn from empirical studies and implementation of normative policy. Corruption definitions used in the corruption literature are various. This article intended to provide an overview on the study as well as an effort to provide a common framework to identify what is corruption and what types of activities are considered as corrupt.

Discussion

1. 1. What is corruption?

Regardless of the existence of corruption there is no universally accepted definition of corruption. Several major studies have identified three types of corruption in a democratic society based on the relationship between government and the public in general (Rose-Ackerman, 1978; Jain, 2001). In general, the nature of the relationship can be identified into three forms, namely the relationship upon the political elite, administrative elite and judicial/ legislature elite. Thus Reciprocal relation of each of the three different types of corruption can occur in a democratic society.

First, political corruption refers to the corrupt actions and political leaders through the exploitation of their discretionary powers in making national policies according to their own interests. As an example are Marcos regime in the Philippines and Suharto regime in Indonesia. With this corruption type, public spending is given to sectors that benefit from corruption and little attention is given to fulfilling the needs of the majority of the populace (Porta and Vannuci, 1997). But it is difficult to identify and measure political corruption mainly because at least some fraction of society

benefited from the policies made by the corrupt political leaders (Jain, 2001). Lobbying activities are the most obvious example of this type of corruptive activity.

Secondly, bureaucratic corruption refers to corrupt bureaucrats in conjunction with superiors or with the public (Jain, 2001: 75). In most cases, the public may well have to bribe bureaucrats to get the services they are entitled or to smooth the bureaucratic procedures (Kaufman, 1997). In some cases, bribes may even provide services that are not actually provided (Bardhan, 1997).

Third, legislative corruption refers to the manner and scope in which the voting behavior of legislators can be influenced. On this kind of corruption, the legislator can be bribed by stakeholders to pass laws that can generate or change the economic post associated with the asset (Rose-Ackerman, 1999).

The existing literatures also classify corruption as a grand corruption (Jain, 2001). grand corruptions generally refer to the corruption of the political elite at the highest levels of society. Political corruption generally understood as a grand corruption. On

the contrary, petty corruption refers to corruption at the level of ordinary people in everyday life, such as driver's license or a traffic violation bribe. Bureaucratic or administrative corruption is similar to petty corruption. Petty corruption is more likely to extend in developing countries than in developed countries. Transparency International's Regional Survey Report 2002 on South Asia ascertain that "petty corruption is endemic throughout public sectors key in five countries, with customers reporting on corruption from a moderate to high in their regular interaction with public services" (TI, 2002).

As of diverse forms of corruption, there is also different corruption level or structure. Waller et al (2002) examined the relationship between the number of vertical levels of bureaucracy and situations where the corruption is centralized. Cheung (1998) and Rose-Ackerman (1999) developed the thought of the top-down and bottom-up corruption. Bottom-up corruption refers to the conditions where decisions of decentralized corruption are at the level of the lower officials. In this corruption form, individuals who is mostly senior are just one of many bribe collectors, while the top-down corruption refers to the conditions where corruption decisions is centralized by the chief executive who then monitor the officials at lower levels in an effort to collect bribes. In theoretical model they show that when the government has a high monopoly power and low public sector salaries, increase governmental total corruption amount. Conversely, with high public sector salaries centralized corruption at the top of the government hierarchy redistributes bribe income from the lower level to a higher level where the total number of corruption is reduced.

Corrupt politicians are exploiting their power to make an economic policy. As elected official, politicians considered making resource allocation decision merely based on the interests of their superiors which is the voters. Thus the corrupt political elite can alter national policies to meet their own interests (to retain power and to maximize their own wealth) at cost of the voters (Jain, 2001). Instead, the corrupt bureaucrats exploit its power to levy a bribe while carrying out their duty assigned by the superiors that is the political elite. Furthermore, there is a variety of different bribery that

engineer bureaucratic corruption. Rose-Ackerman (1998) identified three sub-categories of bureaucratic corruption bribery: the supply-demand balance bribe, the bureaucrats' incentive bribe, and the low cost bribe.

Finally, during the last several years there is a growing concern about corruption in the private sector, especially in developed countries. A great illustration of private sector corruption is the One Tel business collapsed in Australia, and Enron in the US. Like officials in the public sector the private sector officials can abuse the office for personal benefits. However, the conventional view considers corruption only exercised on the public offices (Jain, 2001). The fundamental explanation lies in the fact that public officials are expected to act in the public interest corridor, while a number of different expectations placed on the shoulders of the private sector employees.

Different purposes of the private sector compared to the public sector create a corruption term complexity to present unethical activities. However, existing literature considers the private sector corruption as the supply side of bribery.

1.2. Corruption Measurement

As the difficulty of defining corruption, measuring or quantifying corruption is also a difficult task due to diversity in forms. However, several measurement types or measurement standards required to compare the corruption in various countries because it is difficult to make comparisons without suitable extent. For example, stating that developing countries are more corrupt than developed countries, a simple question arises about how to measure the corruption so that the comparisons between countries can be meaningful.

Difficulties to define and measure the level of corruption in different countries have shown major obstacle for cross-country empirical research on corruption. But on this recent development, researchers have begun to develop corruption index based on a survey, the majority of this index is perceived as corruption perception index (CPI). Such assessment is occasionally also compiled by various agencies to determine corruption risks. The term perception index - since there is no absolute size - accounted for a cross-country assessment of the degree of

corruption. The perception index is based on a experts subjective evaluation or the respondents surveys about how widespread and the high cost of corruption in certain countries. Here are some studies that have tried to measure corruption:

a). Business International Corporation publishes a number of top rating countries, including an assessment of the level of corruption in different countries. This rating is based on data collected from a network of correspondents and analysts throughout the world and was first published in the 1981-1983 period. Business International is now part of the Economic Intelligence Unit. Mauro (1995) was the first to use the data from this empirical analysis.

b). Political Risk Services publishes an annual report, the International Country Risk Guide (ICRG), which includes corruption index. Tanzi and Davoodi (1997) have utilized this index in their empirical studies.

c). Transparency International (TI) - an organization that is committed to fighting corruption worldwide, has measured the perceptions of corruption in different countries. TI has been published since 1995. CPI published by TI has become a widely used corruption measurement. Various studies have made use of this index in their empirical work (see for example Sandholtz and Koetzle (2000); Treisman (2000); Fisman and Gatti (2002); Montinola and Jackman (2002); Gupta et al (2002); Ali and Isse (2003); Chowdhury (2004); You and Khagram (2005); and Emerson (2006).

d). More recent sophisticated rating on corruption watch has been compiled and published by a team led by Daniel Kaufmann of the World Bank.

This rating by the World Bank rating is now publishes a new version of the annual index from 2003 and has the data from the 1996-2002 biennium. Mauro (1995) and Knack and Keefer (1995) are the first use of this index for empirical analysis. Since then most of the researchers have used a combination of these indices to estimate the relationship between corruption and the causes of other variables.

1. Impact of Corruption

Until recently there was general agreement that corruption had a damaging effect on growth. However,

experts consider the impact of corruption on the efficiency sometimes been contradictory. Moreover, recent literature on the impact of corruption also indicate that the effects of corruption tends to reverberate to the economic joint rather than believed to be a specific corruption based transactions (e.g. Brunetti et al, 1998; Jain, 2001). Corruption has a major influence on the level of investment, on entrepreneur's incentives and resource allocation, as well as on income distribution within a country. So, there is a need to clearly understand how corruption affects these variables from a different perspective.

2. 1. Influence on growth

A general view is that corruption has a harmful effect on investment and economic growth. For example, bribery to obtain an investment license clearly reduces the incentive to invest (Bardhan, 1997: 1327). Corruption, especially political corruption or larger, distort the decision-making process related to public investment projects (Tanzi and Davoodi, 1997). Corruption tends to increase the number of projects implemented in a country, and changing the design of such projects is by raising the size and complexity. The actual

result is an increase in the portion of public investment in GDP, a decline in average productivity than the investment and (due to budget restrictions) possible reduction in some other categories of public expenditure, such as operations and maintenance, health and education. As a result, a nation average growth is declining.

Rivera-Batiz (2001) examines the effect of the capital liberalization over the long-term growth of emerging economies. In the general equilibrium model, this study shows that a decline in the growth occurs when the level of corruption is high enough to cause the average profit domestic capital before liberalization falls below the growth rate of other countries in the world. In this liberalization case capital flight out of the country generating force barrier to innovation, reducing the average technology changes and lowering growth development results.

2. 2. Effect on Efficiency

Certain claims are based on everyday experience of corruption in developing countries often sounded as follows: bribery and corruption has a positive influence, endemic corruption everywhere, the cost to fight corruption is very high, for instance. This debate

has invited the attention and larger studies on corruption. The answer to this question is quite complicated. *First*, the academic world has a bias for illustration and explanation, except related to prescriptions and policies. *Second*, the necessary data are not always available. Researchers are finding it difficult to learn the real corruption because the parties involved have a myriad of reasons for hiding data and the government is reluctant to allow strangers or even their own citizens to work on issues that are sensitive. *As a result*, academics debate about corruption causes and cure tend to rely too much on anecdotes, speculation and hypothetical scenarios links between corruption and social impacts in the future (Klitgaard, 1988). In these circumstances the debate seems to still have not reached a conclusion.

Two aspects of corruption actions, the first can be seen as forecasting, namely the unavoidable market strength. If the market isn't used to distribute goods and services, then corruption will creep as a kind of illicit substitution. Second, as an evaluation when corruption occurs it may lead to the allocation of goods to anyone who is willing and able to pay. In turn, this development may be economically efficient, and then it may be socially useful.

Kaufmann and Wei (2000) show that there is a positive correlation between positive red tape and bribery in a country. Companies that pay more because of bribery also spend more not less, time spent in by the management with bureaucratic in negotiating regulation. If the opinion of 'grease the wheels' is correct, higher level of bribery would be associated with a higher bureaucracy efficiency level and would only require a little managerial effort.

2.3. Influence on Distribution

Corrupt behavior itself does not require the imposition of social costs since it began engaging in transfer payments from the bribes payee to bureaucrats (Ehrlich and Lui, 1999). Moreover, bribes can shift the cost of government intervention in directing resources to the higher bidder (Leff, 1964, Lui, 1985). So corruption implicates some degree of income redistribution. Myint (2000) argues that in a corrupt system stakeholder privileges and has good connections with the power to enjoy economic capital. Economic capital is understood

to represent monopoly profits or abnormal, and can take a huge advantage. There is a tendency for wealth concentrated in the hands of a small minority of the population.

Studies of the distributive effects of corruption by Gupta et al (2002) found that corruption increases income inequality and poverty through low economic growth, biased tax system in favor of the rich and strong connection, targeted social programs are weak, the use of prosperity by people who are able to lobby government for favorable policies that perpetuate inequities in asset ownership, lowered social spending, imbalances in access to education, and a higher risk in making investment decisions for the poor. In the cross-country analysis over the period 1980-1997 shows that the emerging and high corruption increases income inequality and poverty through the above methods. The impact of corruption on income inequality and poverty are huge.

3. Factors behind Different Corruption Events

Now we come to turn to the question of why the incidence of corruption is more widespread and persistent in some countries than in other countries. A number of explanations have been given on the events of corruption in different countries. These explanations can be classified into three broad categories: socio-economic, political and economy which will be discussed below.

3. 1. Socio-economic factors and corruption

In describing the various socio-economic factors that cause corruption in many countries several studies suggest that economic development, education and income inequality are the main factors affecting the level of certain corrupt activities. There is a strong correlation between economic development and corruption. Corruption should be negatively associated with the level of economic development of a country (Treisman, 2000; Graeff and Mehlkop, 2003). In other word rich countries perceived slightly corrupt than poor nations. To explain the relationship between economic development and corruption most studies using GDP per capita to reflect the level of economic development.

Education also has an important influence on corruption. In poor

countries with high levels of illiteracy which many people have little understanding about the work of government (Rose-Ackermann, 1999). Ahrend (2002) examined the relationship between corruption, human capital and the capacity of civil society to monitor. In the theoretical model of this study found that the impact of education on corruption depends on the capacity of civil society to monitor government officials. If the capacity of developing both the educational reduce corruption, while education may encourage corruption is higher if the society oversight is low. Mauro (1998) find that countries that are classified as highly corrupt in investment in education and ignore the creation of human capital.

Income distribution inequality is also considered as a determinant of corruption. High income inequality may match the perception of the workings of the unfair country and encourage the sense of injustice that can make the incidence of corruption is more likely to occur. You and Khagram (2005) argues that wealthy people are more likely to have higher motivation and opportunities to commit bribery and bribery as a way to maintain and

improve the status privilege and interests while poor people are more vulnerable to extortion in a higher level of injustice.

3. 2. Democracy and Corruption

Political explanations of corruption especially emphasize democratization and decentralization. The degree of political freedom can have an important effect on the level of corruption because theoretically considered to provide a discussion of political competition against corruption (Rose-Ackermann, 1999). Greater transparency due to free press and freedom of political associations may be able to reduce corruption because a free press was able to uncover graft and political association was able to force power corrupt governments to withdraw. In this situation, Robinson (1998) argues that the creation of democratic institutions offer the potential for a closer investigation of the actions of politicians and government officials by citizens, independent media and members of Parliament, which in turn reduces the level of corruption.

Rose-Ackermann (1999) argues that elections increase the accountability of politicians but it also resulted in the

creation of new incentives for corruption due to increasing political financing purposes. Another study found increased corruption as a direct result of democratization since the democratic political system provides incentives and opportunities for corrupt practices. In fact, many new democratic nations in Africa, Eastern Europe and Latin America are characterized by high and rising levels of corruption; the democratic structure of these nations has proven to be ineffective in limiting the widespread and rampant corrupt practices in developing countries.

3. 3. Economic Freedom and Corruption

Liberal economists argue that it is a country with a complex permits and licenses regulatory system that spawned corruption. And different countries with different economic regulations enforceability level raise the growth of various kinds of corruption, Bardhan (1997).

Lui (1996) argue that corruption cannot occur if the system perfectly competitive resource allocation. Furthermore, he showed that when an officer has the authority to allocate public needs below the market equilibrium price, then this may create

the possibility of rent-seeking and that officials might take the opportunity to receive bribes. On the other hand, if the price of goods already on the market equilibrium price, corruption will not occur. Thus, deviations from the competitive market caused by government intervention are the main cause of corruption.

Economic reforms can also have a negative effect on corruption, at least in the short term. Here is recorded as economic liberalization in the absence of effective regulation that has the potential to create high economic rents that may increase the incentives for corrupt practices. The experience of developing countries that have done the economic liberalization is not enough to give evidence to the credence that the market can reduce the symptoms of corruption. Mauro (1997)[40] in his empirical studies find that public corruption can be traced through government intervention in the economy. These findings undoubtedly will generally valid but cannot explain the appearance of corruption and crimes in the post-communist Russia and why privatization tends to increase the level of corruption in the Chinese economy.

4. The Cases of Indonesia Corruption Eradication

The empowering of the Corruption Eradication Commission (CEC) authority can be traced back through the Act No. 30 year 2002 particularly at Passage 6 that gives an authority to investigate and to charge against graft cases; and it is strengthened further by Passage 12, Verse (a) that gives an extraordinary right to do phone wiretapping and records conversation. The authority of the CEC's phone wiretapping is limited under conditions that it is only applied if there is a social report on suspected bribery to state officers with the potential of minimum one milliard rupiah's state lost. Furthermore, it is enforced that the Act of the CEC can't be regulated by lower regulation. If, for example, the Act base authoritative norm is weakened by a government regulation that lower than the Act it means unconstitutional. The confirmation is argued by the Constitutional Judge, Akil Mochtar (2009) .

According to ex member of the 1999-2004 legislative period who involved in the formulation of the CEC Act stated that the CEC Act had materially been examined by the Constitutional Court eleven times. Two times among them particularly examined CEC authority to do phone wiretapping. In its decision, the Constitutional Court argued that the CEC authority to do phone wiretapping is constitutional. However, for guarantying the fulfillment of human rights, the CEC authority to do phone wiretapping must further be regulated by the Act.

The application of Passage 12 verse (a) the CEC authority to do phone wiretapping is proved by wide varieties of the CEC's hand fishing operations over years. In 2012 ago for example, CEC in collaboration with the Supreme Court did hand fishing operations to capture 3 people of graft cases. Two people consist of adhoc judges, those are KM and HK, KM was an Adhoc Judge in Graft case Court in Semarang while HK assigned a duty in Pontianak. Its liaison between those judges and prominent person in Semarang is called SD. Its evidence was an amount of more than Rp 100 million in cash (Slamet Riyadi, 2012).

Previous CEC hand fishing operations was a man called Ibrahim whose position was a judge in the High

Civil Court of Justice. Beside, CEC hand fishing operations was also done over the judge Syarifudin in his house in Sunter North Jakarta who was suspected to receive a bribe from curator Puguh Wirawan involving the bankrupt management PT SKY Camping Indonesia (Slamet Riyadi, 2012).

The CEC hand fishing operations was done over the Judge of Industrial Relations Court in State Court of Bandung, Imas Dianasari who received a bribe from the Administration Manager PT Onamba Indonesia (Slamet Riyadi, 2012).

Local Police of Central Kalimantan's hand fishing operations of the graft case were also done over members of the Local legislature Kapuas South Kalimantan that consist of EBEB who was member of PDI Perjuangan, EP of Gerindra and RN of PAN in the bribery case of the 2015 Local Budget with an amount of Rp 2,3 Milliard in cash. Its case has now been forwarded to the Graft case Court.

The Recent most spectacular news and the most scattering public of Indonesia appears on June 2015 (Abi Sarwanto, 2015), when CEC conduct hand fishing operations to suspected bribery in an amount of US$ 15 thousands and 5 million Singapore dollars in cash against Chief of the Civil Court of Justice of Medan that consist of Tripeni Irianto Putro, Judge Amir Fauzi, Judge Ginting, a Clergy of the Civil Court of Justice of Medan Yasril Sofian, and a lawyer of OC Kaligis associate called Bernama Yagari Bastara. The development of this case is in turn hobbled an outstanding Lawyer OC Kaligis, the Governor of North Sumatera Gatot Pudjo Nugroho and his second wife, and the General Secretary of Democratic National Party, Patrice Rio Capella, upon suspected bribery of Social Assistant Funding in North Sumatera Province. Now, their cases are going to trial in the Graft Case Court of Jakarta.

To sum up, the Indonesian government effort particularly canaling CEC's hand fishing operations gives an extraordinary instrument to combat corrupt behaviors as acted by corruptors of government, legislature, judicial and private sectors. Unfortunately, the successful of CEC's hand fishing operations sound unmatched with its level of punishment to corruptors in giving deterrents effect and even eradicating corruption in Indonesia.

Conclusion

Empirical evidence on the causes of corruption mainly been formed from cross-country analysis. Published studies found mix evidence related to the effect of institutional factors on the corruption levels. Most empirical studies confirm the harmful effects of corruption on growth. Many studies conclude that economic development is an important factor in the fight against corruption but these studies did not examine why some countries corruption level increases even with increasing incomes.

The negative effects of corruption on economic development have been discovered but the role of democracy and its impact on corruption remains dubious. In fact, several studies on democracy roles shows that democracy has no effect in controlling corruption while other studies found some negative relationship between democracy and corruption.

Furthermore interactive effects between democracy and economic freedom and its impact on corruption remains have not been tested. Effect of interaction is important because there are countries in this world where with a low level of democracy, high levels of economic freedom and low levels of corruption (i.e. Hong Kong and Singapore). By contrast, in a country like India there is a high level of corruption, aside with a high level of democracy and a low level of economic freedom.

To clarify the debate on the relationship between democracy and corruption and to examine the interaction effect between democracy and economic freedom in controlling corruption, thus this study focuses on the role of economic development and the relationship between democracy and economic freedom. This study investigates the issue of economic development and corruption based on the classification of countries by income and region. Furthermore explain why the level of corruption increases with the increase in revenue. This study examined the relationship between income and corruption within a nonlinear framework.

Issues of democracy-corruption relations tested by considering the various democracy dimensions as an aggregate variable and also separately to find which democracy dimension is

more important in combating corruption.

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