

# The Nature, Causes, and Extent of Corruption: A Review of Literature

VICTORIA A. BAUTISTA\*

*The literature on graft and corruption from the bipolar perspectives of the structural-functional and conflict models reveals the prevalence of bureaucratic and political corruption. The latter is documented by empirical studies, whereas the former is embodied in certain policies of the government, e.g., those dealing with social and economic policies. The conflict model highlights corruptive policies of the government because they serve and protect the interest of a particular sector of the economy, namely, the key elites and the capitalists rather than the oppressed sector of the population. Further, the state becomes an active participant in the corruption process through its joint venture activities with big business corporations. Integral in the conflict model's analysis of corruption, is corruption being a function of the capitalistic mode of production. It is hoped that the two models could converge to come up with a realistic assessment of the incidence of corruption in the country and to develop effective control measures to combat corruption.*

## Introduction

Corruption is a major problem facing the developing nations. In the Philippines, no less than President Marcos laments that:

Despite the preventive, control and punitive measures adopted by the government, there are still reports of alleged graft and corruption, red tape and inefficiency in various levels and areas of government activity . . . These reports add tremendous costs to overcoming the harmful effects of the people's skepticism and outright resistance to the implementation of national development goals.<sup>1</sup>

Its gravity has mobilized concerned scholars and reform-oriented public officials to study its dynamics, search for its causes, and to define strategies for its prevention or control. Jabra, however, decries, that "Unfortunately, neither research nor reform has proved successful. Worse, the stress caused by reform threatens to disrupt not only the administrative structure, but also the socio-economic and political fabric of the emerging nations and thwarts off their efforts to modernize."<sup>2</sup> This is because the measures for reform are undertaken independently of their contexts.<sup>3</sup>

<sup>1</sup>Feliciano Maragay, "A Renewed War Against Graft," *The Republic* (28 June-4 July 1982), p. 2.

<sup>2</sup>Joseph Jabra, "Bureaucratic Corruption in the Third World: Causes and Remedy," *The Indian Journal of Public Administration*, Volume XXII, No. 4 (October-December 1976), p. 673.

<sup>3</sup>*Ibid.*

\*Associate Professor and Director of Graduate Studies, College of Public Administration, University of the Philippines.

The author acknowledges the assistance of Eleanor E. Nicolas and Marie Beth Rutty in the preparation of this paper.

ductive of stability. He said that the crucial role of function is:

to provide criteria of the *importance* of dynamic factors and processes within the system. They are important insofar as they have functional significance to the system, and their specific importance is understood in terms of the analysis of specific functional relations between the parts of the system and between it and its environment.

The significance of the concept of function implies the conception of the empirical system as a "going concern". Its structure is that systems of determinate pattern which empirical observation shows, within certain limits, "tend to be maintained" or on a somewhat more dynamic version "tend to develop" according to an empirically constant pattern.<sup>6</sup>

### *Conflict Model*

While order, system-maintenance, or stability is endemic in a structural-functional perspective, the conflict theorists view conflict or tension as prevalent not only in organizations but society as a whole. As Dahrendorf claims:

For Marx, society is not primarily a smoothly functioning order of the form of a social organism, a social system, or a static social fabric. Its dominant characteristic is, rather, the continuous change of not only its elements, but its very structural form. This change in turn bears witness to the presence of conflicts as an essential feature of every society. Conflicts are not random; they are a systematic product of the structure of society itself. According to this image, there is no order except in the regularity of change.<sup>7</sup>

<sup>6</sup>Talcott Parsons, *Essays in Sociological Theory*, Revised Edition (New York: Free Press, 1954), p. 217.

<sup>7</sup>Ralf Dahrendorf, *Class and Class Conflict in Industrial Society* (Stanford, California: Stanford University Press, 1959), p. 27.

As far as the Marxists are concerned, conflict ensues from the economic structure in industrial capitalist societies. The bourgeoisie (or the capitalist class) has established oppressive conditions for the proletarians (the workers of production), For Marx and Engels:

Modern industry has converted the little workshop of the patriarchal master into the great factory of the industrial capitalist. Masses of laborers, crowded into the factory, are organized like soldiers. As privates of the industrial army they are placed under the command of a perfect hierarchy of officers and sergeants. Not only are they slaves of the bourgeois class and of the bourgeois state, they are daily and hourly enslaved by the machine, by the overlooker, and above all, by the individual manufacturer himself.

In a capitalist system, society tends to split up into these two hostile classes. Classes increasingly polarize when the proletariat are pauperized while society's wealth increasingly becomes concentrated in the hands of a few. As the classes are drawn apart, they become more homogenous internally, with other groupings absorbed into one of the two classes. Resolution of conflict is only obtained after a class struggle. Classless society emanates after a revolution by the proletariat. As Marx and Engels claim:

If the proletariat during its contest with the bourgeoisie is compelled, by the force of circumstances, to organize itself as a class; if by means of a revolution, it makes itself the ruling class; and, as such sweeps away by force the old conditions of production, then it will, along with these

<sup>8</sup>Karl Marx and Friedrich Engels, *The Communist Manifesto*, edited by Samuel H. Beir (New York: Meredith Corp., 1955), p. 17.

conditions, have swept away the conditions for the existence of class antagonism and of classes generally; and will thereby have abolished its own supremacy as a class.

As far as the structural-functionalists are concerned, the sources of tension may stem from factors originating from the system itself or from factors external to the system. It is necessary to uncover these sources of tension if stability is to be restored. Parsons has identified four basic problems that every system must solve in order to survive.<sup>10</sup> Two of them, *adaptation and goal achievement*, refer mainly to the relation of the system to the environment. The other two, *integration and latency problems*, have to do with the internal aspects of the system. More specifically:

The adaptation requirement is mainly the problem of procuring all the human and material resources which are necessary for the achievement of organizational goals. More specifically, it refers to those normative patterns regulating the processes of financing, of personnel recruitment, of land procurement and of acquisition of entrepreneurial skills.

The problem of goal achievement has to do with the mobilization of organizational resources (made available by the adaptive processes), for the accomplishment of the organization's goals. This is basically the problem of fitting means to ends . . .

(I)ntegration deals with inter-unit relationships. It refers to the process which ensure an adequate level of solidarity and cohesion between sub-system . . .

(L)atency . . . deals with intra-unit conditions and their relevance to the larger system (in contradistinction to

the integration problem which has to do with interunit relationships).<sup>11</sup>

The process of change is dialectical in that the two classes stand in the relation of Hegel's "thesis" and "anti-thesis" in the sense that one is characterized by the affirmation (or possession) of those features of which the other is the complete negation. And ultimately, the clash of the thesis and antithesis gives rise to the new synthesis — the classless society with no political authority. Marx and Engels say:

In place of the old bourgeois society, with the class and class antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.<sup>12</sup>

### Summary

A review of the two models show variation in perspectives regarding the nature of organizations/society, the source of instability and the resolution of conflict. The structural-functionalists consider systems (groups or society as a whole) as primarily concerned with the maintenance of stability. The source of tension may stem from factors external or internal to the system. The resolution of instability will only ensue upon identification of and removal of the sources of tension.

In contradistinction, the conflict theorists consider instability as endemic in a system with a capitalistic mode of production. The capitalist class oppresses the worker of production. The following table summarizes the distinctions between the two perspectives.

<sup>9</sup>*Ibid.* p. 32.

<sup>10</sup> Mouzelis, *op. cit.*, p. 150.

<sup>11</sup>*Ibid.*, pp. 150-151.

<sup>12</sup>Marx and Engels, *op. cit.*, p. 32.

Table 1. Distinctions Between Structural-Functional and Conflict Models

Dimensions	Structural-Functional	Conflict
View of Organization/ Systems/Society	System-maintenance or stability is endemic	Conflict is endemic
Source of tension or conflict	Multiplicity of factors (external or internal)	The capitalist mode of production
Resolution of tension	Removal of the source of tension	Class struggle or revolution until a classless society is obtained

### Perspectives on Corruption and the Two Models

After the strengths and weaknesses of each model had been reviewed over time, how the followers of each perspective have developed explanations regarding corruption will be examined. The theoreticians who view corruption as a source of tension (whether positive or negative) in society but who may explicitly or implicitly assume that they may be prevented or controlled upon understanding their causes, are lumped under the structural-functional perspective. On the other hand, theoreticians who view corruption as endemic in a system as a result of the existence of capitalism is considered under the conflict model. Hence, corruption is not central in their study but that state corruption is a necessary mechanism in the maintenance of the interests of the capitalists class. Corruption is not the primary source of tension but the economic mode of production that

results to the polarization of owners and productive forces of the capitalistic system.

The nature, causes, and extent of corruption from the point of view of each of these model will be discussed in the following sections of the paper.

#### *The Structural-Functional Model*

*Definition.* Scholars holding this perspective have analyzed the phenomenon of corruption by first studying its conceptual definition. There are two ways by which this concept can be explained.<sup>13</sup> The most common is the *public-office centered* definition which essentially defines "corruption" by the

<sup>13</sup>Raul P. de Guzman, "Some Notes on Education and Training in Ethics and Values of Public Responsibility," in Rosemary Aquino (ed.), *Perspectives on the Social Responsibility of Business* (Pandacan, Metro-Manila: Bishop's Businessmen's Conference for Human Development, 1981).

deviation of officials from the norms of public office. This definition actually corresponds to the *Oxford English Dictionary* referent for the term which states that "corruption" is: "Perversion or destruction of integrity in the discharge of public duties by bribery or favour; the use or existence of corrupt practices, especially in a state, public corporation, etc."<sup>14</sup> Some scholars who define corruption in this manner include:

(1) Carl Friedrich:

Corruption is a pattern of behavior which deviates from the norm actually prevalent or believed to prevail in a given context.<sup>15</sup>

(2) Nye:

Corruption is behavior which deviates from the normal duties of a public role because of private regarding (personal, close private clique) pecuniary or status gains; violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to prevent the judgment of a person in a position of trust), nepotism (bestowal of a patronage by reason of ascriptive relationship rather than merit); and misappropriations (illegal appropriation of public resource for private regarding uses).<sup>16</sup>

A smaller sector considers a *public-interest centered* definition where the corrupt behavior is indicated by giving

priority to private interests rather than public concerns. One such proponent is Alatas who considers corruption as a form of "subordination of public interests to private aims involving a violation of the norms of duty and welfare, accompanied by secrecy, betrayal, deception and a callous disregard for any consequence suffered by the public."<sup>17</sup>

The dominant practice, however, is for the *public-office* centered definition to be given more emphasis than, the *public-interest* definition in most literature on corruption. This is because the question that is often left unanswered in a public-interest centered definition is whose evaluation of the interest is to be considered.<sup>18</sup> Although the public-office centered definition had been enlightened by the "new public administration perspective" spearheaded by H. George Frederickson, public interest would more succinctly refer to attainment of "social equity." He says a "Public Administration which fails to work for changes which tries to redress the deprivation of minorities will likely be eventually used to repress these minorities."<sup>19</sup>

In an attempt to further characterize corruption, various typologies are discussed, such as whether corruption is singly committed (technically called "graft") or in collusion with others (technically called "corruption")<sup>20</sup> Another typology is

<sup>14</sup> Arnold J. Heidenheimer (ed.), *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart, and Winston, Inc., 1970), p. 4.

<sup>15</sup> Carl J. Friedrich, "Political Pathology," *Political Quarterly*, Vol. XXXVII, (January-March, 1966), pp. 70-85.

<sup>16</sup> James S. Nye, "Corruption and Political Development: A Cost-Benefit Analysis," in Heidenheimer, *op. cit.*, pp. 566-567.

<sup>17</sup> Syed Hussein Alatas, *The Sociology of Corruption: The Nature, Function, Cause and Prevention of Corruption* (Singapore: Donald Moore Press Ltd., 1968), p. 12.

<sup>18</sup> Heidenheimer, *op. cit.*, p. 6.

<sup>19</sup> George H. Frederickson, *What is New Public Administration*, edited by Frank Marini (Scranton, London; Toronto; Chandler Publishing Co., 1971), p. 311.

<sup>20</sup> Alatas, *op. cit.*, p. 13.

based on the particular setting where corruption occurs whether bureaucratic or political. "Administrative corruption" is committed by officials in the bureaucratic machinery.<sup>21</sup> "Political corruption" is committed in the process of selecting political officials and how political officials perform their duties. Although, "in terms of legal codes and political theory, the 'office' of the legislator is less clearly safeguarded against self-regarding exploitation than in the 'office' of the administrator."<sup>22</sup>

Another typology is based on whether or not monetary transactions prevail in the interaction of the public official and the client. "Market corruption" prevails when monetary or other material rewards are used to mobilize public officials such as bribery. "Patronage corruption" is characterized by reliance on a familialistic, kinship, and personal network in transacting with the public officials. Ascriptive ties are primate in the interchange such as in nepotism.<sup>23</sup>

Another distinction is whether corruption is individualized or systematic. "Individualized corruption" is deviant behavior without organizational support. "Systematic corruption," on the other hand, occurs with the "tolerance, facilitative influence and support of a corruption-oriented administrative culture."<sup>24</sup>

<sup>21</sup>Fred Riggs, "The 'Sala' Model and Comparative Administration," W.F. Wertheim, "Sociological Aspects of Corruption in Southeast Asia," and Gunnar Myrdal, "Corruption: Its Causes and Effects," all in Heidenheimer, *op. cit.*

<sup>22</sup>Heidenheimer, *op. cit.*, p. 361.

<sup>23</sup>Nye, *op. cit.*

<sup>24</sup>Ledivina V. Cariño, "Some Considerations Regarding the Representativeness and Responsiveness of the Philippine Bureaucracy." Paper read at the 13th American Studies Conference, UP Los Baños, October 9-13, 1978 (Mimeo.), p. 3.

*Extent of and Causes of Corruption.* That corruption is more prevalent in developing or modernizing societies than the modern or developed ones is a very common argument. Huntington says:

Corruption obviously exists in all societies, but it is also obviously more common in some societies than in others and more common at some times of the evolution of a society than at other times. Impressionistic evidence suggests that its extent correlates well with rapid social and economic modernization.<sup>25</sup>

Wright and Simpkins also say the same thing: Throughout the fabric of social life in newly independent states run the scarlet thread of bribery and corruption.<sup>26</sup> Gabriel Ben Dor agrees with them when he says: corruption (real or alleged) seems to flourish following periods of economic growth rather than preceding or accompanying it.<sup>27</sup>

Why corruption occurs more extensively in developing countries is for the most part attributed to the marked discrepancy between the cultural norms and the legal norms. The legal norms urge one to be more rational and universalistic and to manifest technical expertise. The cultural norms emphasize reliance and obligation toward kinship, friendship, and other primary groups. As Riggs argue, "the formal rules of the

<sup>25</sup>Samuel Huntington, "Modernization and Corruption," in Heidenheimer (ed.), *op. cit.*, p. 492.

<sup>26</sup>Ronald Wright and Edgar Simpkins, *Corruption in Developing Countries* (London: George Allen Unwin Ltd., 1963), p. 11.

<sup>27</sup>Gabriel Ben-Dor, "Corruption, Institutionalization and Political Development: The Revisionist Thesis Revisited," in *Comparative Political Studies*, Volume VII, No. 1-4 (April 1974), p. 70. See also Riggs in Heidenheimer, *op. cit.*, p. 2.

*sala*<sup>28</sup> prescribe universalistic norms for the administration of the law, the general programs and policies of a government agency. However, family influence prevails, so that the law is applied generously to relatives, stringently to strangers."<sup>29</sup> Leff says: corruption will persist until universalistic norms predominate over particularistic attitudes.<sup>30</sup> This is because "loyalty in the emerging nations has not yet transferred from its natural seat — the family, the clan, or the tribe — to a new one; the nation."<sup>31</sup> Bureaucracies are often penetrated by patron-client networks that undermine the formal structure of authority in these countries. Patron-client relationship is according to Scott:

an exchange relationship between roles — may be defined as a dyadic (two person) ties involving a largely instrumental friendship in which an individual of higher socio-economic status (patron) uses his own influence and resources to provide protection or benefits, or both, for a person with lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron.<sup>32</sup>

Local scholars like Corpuz, Abueva and de Guzman also subscribe to this argument. Corpuz claims:

The Filipino family is the key to Filipino political behavior. It is impossible to look anywhere in the political

system without seeing the family influence at work and established in some political custom of practice . . . The dynamic processes of Western Technology disturb the traditional balance of social institutions and values. It is generally admitted that these processes weaken traditional institutions and social standards, either by directly undermining them, or by the mere fact that the new technology presents new values as alternates to the old. But since we have a transitional society, the old are not quite destroyed nor by definition, are the new quite established.<sup>33</sup>

The root of the evil is the lack of a more positive attachment to government and of a spiritual involvement in its task in society, on the part of both of the officials and of the whole community.<sup>34</sup> Both as cause and effect, corruption has its counterpart in undesirable practices among the general public.

Other factors that have been considered in explaining the prevalence of corruption is the *inability of the new independent states to cope with the multiple demands and problems* in moving towards modernization. It has to cope with the problem of transition from a colonial status to self-government to cope with problems of population growth<sup>35</sup>, to cope with the multitude of demands of a growing welfare state which far exceed those which the 19th century had to meet<sup>36</sup> and to accommodate new groups with new power who wish

<sup>28</sup> *Sala* refers to a government office in Latin American countries.

<sup>29</sup> Riggs, *op. cit.*, p. 214.

<sup>30</sup> Nathaniel Leff, "Economic Development Through Bureaucratic Corruption," p. 518. See also Huntington, p. 492 and Myrdal, p. 237, all in Heidenheimer, *op. cit.*

<sup>31</sup> Wraight and Simpkins, *op. cit.*, p. 50.

<sup>32</sup> James Scott, "Patron Client Politics and Political Change in Southeast Asia," *American Political Science Review*, Volume LXVI, No. 1 (March 1972), p. 92.

<sup>33</sup> Onofre D. Corpuz, *The Philippines* (New Jersey: Prentice Hall Inc., 1965), pp. 12-13. See also Jose V. Abueva, "The Contribution of Nepotism, Spoils and Graft to Political Development," in Heidenheimer, *op. cit.*, pp. 534-539 and de Guzman, *op. cit.*, p. 251.

<sup>34</sup> Wertheim, *op. cit.*, p. 210.

<sup>35</sup> Myrdal, *op. cit.*, p. 238.

<sup>36</sup> Wertheim, *op. cit.*

to participate in the political arena.<sup>37</sup> Considering that the bureaucracies are still learning self-government and building competencies,<sup>38</sup> the increasing demands on government aggravate the situation. The net effect therefore when demand outpaces supply is a "black market in government services."<sup>39</sup>

Other problems stem from the administrative machinery itself such as the unrealistic salary levels of public officials<sup>40</sup>, excessive discretionary power extended to public officials,<sup>41</sup> cumbersome red tape in the bureaucracy, and the bad example set by leadership. In addition, the complex system of justice may hinder the prosecution of public servants who have been accused of corruptive behaviors.<sup>42</sup>

Furthermore, there are particular segments in the public which are more prone to corrupt the state, for example, Huntington states that new groups with new resources emergent in modernizing societies not yet accepted by the dominant groups in the new states resort to irregular means to be assimilated.<sup>43</sup> This would include new millionaires, recent enfranchised masses, or even foreign businessmen who have less scruples in violating the norms of the society.<sup>44</sup>

*Functions and Dysfunctions of Corruption.* While there is widespread agreement regarding the relationship between corruption and modernization, there is no firm consensus as to whether corruption is functional or dysfunctional. As Heidenheimer observes: Some scholars argue that on balance, corruption is toxic from the perspective of socio-political development goals, although it may be tonic in terms of promoting economic growth.<sup>45</sup> For example, adherents of the view that corruption's contribution is detrimental to socio-political development is represented by Myrdal who says that "corruption counteracts the strivings for national consolidation, decreases respect for the allegiance to the government, and endangers political stability,"<sup>46</sup> This is because "corruption introduces an element of irrationality in plan fulfillment by influencing the actual course of development in a way that is contrary to the plan or, if such influence is foreseen, by limiting the horizon of the plan." Huntington further elaborates on Myrdal's thesis by hypothesizing that corruption will lead to political instability when there is little room for vertical mobility in bureaucracy or the political machine for the demands of new classes. In a system where corruption only further accentuates already existing inequalities by enabling only those who have access to the political power to have more opportunities to have access to the most wealth is very liable to violent overthrow.<sup>47</sup> Corruption does not only erode courage necessary to adhere to standards of propriety but also undercuts popular faith in gov-

<sup>37</sup> Huntington, *op. cit.*

<sup>38</sup> Myrdal, *op. cit.*, p. 239.

<sup>39</sup> Robert Tilman, "Black Market Democracy," in Heidenheimer, *op. cit.*, p. 62.

<sup>40</sup> Myrdal, *op. cit.*, and de Guzman, *op. cit.*, p. 256.

<sup>41</sup> *Ibid.*, p. 235.

<sup>42</sup> de Guzman, *op. cit.*, p. 257.

<sup>43</sup> Huntington, *op. cit.*, p. 492.

<sup>44</sup> *Ibid.*, p. 497.

<sup>45</sup> Heidenheimer, *op. cit.*, p. 479.

<sup>46</sup> Myrdal, *op. cit.*, p. 540.

<sup>47</sup> Huntington, *op. cit.*, pp. 497-498.



ernment to deal even-handedly.<sup>48</sup> It undermines respect for constituted authority.<sup>49</sup>

Abueva is a staunch critic of this position. He sees its contribution to political development by considering corruption's role in promoting "national unification and stability, nationwide participation in public affairs, the formation of a viable party system and bureaucratic accountability to political institutions" in the early stages of politico-administrative development.<sup>50</sup> Dwivedi, in turn, sees corruption as functional by easing up the impersonality of the bureaucratic system.<sup>51</sup>

Corruption becomes a tonic to economic development by providing a supplemental allocative mechanism for investment purposes, where the depressed sector may benefit in the form of gainful employment.<sup>52</sup> Although Nye contradicts this by arguing that the corruption money is not invested but is divested into "Swiss banks" for personal purposes.<sup>53</sup>

Another contribution to economic growth is by establishing alternative mechanisms for red tape and excessive regulation. It can "mobilize the bureaucracy for more energetic action on behalf of the entrepreneurs."<sup>54</sup>

Another positive effect is that corruption might even increase the effec-

tiveness level of the bureaucracy. Corruption money could be another form of inducement for able persons to serve the bureaucracy. As Bayley claims, "if wages in government service are insufficient to meet a talented man's needs, and he has an alternate choice, he will be tempted to choose the other."<sup>55</sup>

Those who view the dysfunctional effects of corruption contend that it has inhibitive effects by increasing the cost to development by diverting resources to private use (i.e., kick-backs).<sup>56</sup> It may also be detrimental if corruption hampers government from obtaining tax revenues necessary for developmental policies.<sup>57</sup> Furthermore, corruption becomes anti-developmental when the objectives sought by government are based on criteria for decisions by various classes and not of the sector it wishes to serve.<sup>58</sup> Also, the cost of corruption is eventually passed on to the public and becomes a form of illegal taxation.<sup>59</sup>

*Summary.* In summary, structural-functionalists lack consensus in their referent for the term of corruption. Some view it from a public-office definition and others, from the public-interest perspective. That corruption is more prevalent in modernizing societies is not disputed. Why it occurs is predominantly considered as a product of variation between the legal and the cultural norms and from other aspects of the state and other factors external to the state. Furthermore, corruption is also viewed in terms of its balance sheet of functions and

<sup>48</sup> David H. Bayley, "The Effects of Corruption in a Developing Nation," in Heidenheimer, *op. cit.*, p. 527.

<sup>49</sup> Alatas, *op. cit.*, p. 23.

<sup>50</sup> Abueva, *op. cit.*, p. 539.

<sup>51</sup> O.P. Dwivedi, "Bureaucratic Corruption in Developing Countries," *Asian Survey*, Volume VII (April 1967), p. 235.

<sup>52</sup> Bayley, *op. cit.*, p. 529.

<sup>53</sup> Nye, *op. cit.*, p. 570.

<sup>54</sup> Leff, *op. cit.*, p. 514.

<sup>55</sup> Bayley, *op. cit.*

<sup>56</sup> *Ibid.*, p. 517.

<sup>57</sup> Leff, *op. cit.*, p. 517.

<sup>58</sup> Bayley, *op. cit.*, p. 526.

<sup>59</sup> Alatas, *op. cit.*, p. 22.

Table 2. Structural-Functionalists: Perspective of Corruption

Definition	Public-office centered definition primarily Public-interest centered definition secondarily
Cause (s) of Corruption	Multiplicity of factors stemming from within the state or other aspects external to the state
Consequences	May be positive or negative depending upon whose perspective is considered
Resolution of Corruption	Removal of the source of corruption (preferably by reform-oriented strategies)

dysfunctions depending upon whose point of view is considered. Corruption may be controlled with reform-oriented strategies aimed at the sources or causes of corruption.

The following table reflects a summary of the structural-functionalists perspective on corruption.

These perspectives are lumped under the structural-functional model since the theoreticians' view of corruption stems from a multiplicity of factors (internal or external to state). They also explicitly or implicitly assume that the identification of these factors will help in the identification of control measures to curb or prevent corruption.

#### *Conflict Model*

In the succeeding sections, the conflict theorists' perspectives shall be seen to be in sharp contrast with the position of the structural-functionalists. Unlike the structural-functionalists, the conflict theorists are concerted in their view that corruptive behavior contradicts the interest of the public. The conflict theorist have more pointedly referred to a particular sector whose interest should be served, unlike the structural-

functionalists whose concept of the public is nebulous. The conflict theorists consider as public the *masses who are the workers of production, the underprivileged sector of the population in capitalist societies*. In other words, the conflict theorists' definition of "corruption" refers to "public behavior that deviates from the interests of the workers of production." However, corruption is not central in their analysis but class conflict. Corruption's role in class conflict may be seen in terms of their argument that the state is only an agent in maintaining the interest of the dominant class.

The conflict theorists attribute the emergence of corruption to the capitalistic mode of production, unlike the structural-functionalists who consider its cause in a less determinate manner. For the conflict theorists, the state is necessarily a participant in forging the interest of the capitalist class. The theorists would only vary in terms of the types of corruptive behavior that occur by level of development of the capitalistic economy. The role of the state shall be discussed in two phases of capitalism, namely: *competitive capitalism and monopolistic capitalism* (under a colonialistic

then a neo-colonialistic policy). Corruptive behavior is considered as prevalent in a more developed stage of a capitalistic society which is in sharp contrast to the argument of the structural-functionalists. From a national level of corruptive behavior during the competitive stage, corruptive behavior is expanded to the other nations in the monopolistic stage. This is because monopolism and imperialism are one and the same process. Monopolism is not possible without imperialism.

The consequence of corruption is always considered as detrimental to the plight of the underprivileged sector. Their conditions can be improved with a change in the structure of the economy obtained by a class struggle between the capitalists and the workers of production.

*Competitive Capitalism.* The origin of the perspective labelled as conflict model is traceable to Karl Marx. His ideas on the state administration can only be understood in the general framework of his theory of class conflict in industrial societies under the competitive capitalistic system.<sup>60</sup> With the industrial capitalist economies creating the seeds of its own destruction through heightened exploitation of the workers of production, class struggle between the capitalists and the workers will eventually occur. *The state is only a means to perpetuate the dominant class interest according to Marx.* "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie" and political power is "merely the organized power of the class for oppressing another."<sup>61</sup> The modern

state is "based on emancipated slavery, on bourgeois society . . . the society with industry, of universal competition, of private interest freely following its aims, of anarchy, of the self-alienated natural and spiritual individuality . . ."; the "essence" of the modern state is that it is based on the "unhampered development of bourgeois society, on the free movement of private interest."<sup>62</sup> In the *German Ideology*, Marx asserts that the state is "nothing more than the form of organization which the bourgeois necessarily adopt both for internal and external purposes, for the mutual guarantee with their property and interest."<sup>63</sup>

According to Greenberg, Marx considers the state as "necessary to the owning class because by itself this class cannot, because of limitations of time, skills, and manpower fulfill all the tasks necessary to maintain its domination."<sup>64</sup> Furthermore, this class requires agents to help maintain the division of classes, *to coopt, deflect* or crush threats to prevailing property relations and, in general, to regulate social and economic life to protect the distribution of benefits and advantages that flow from the processes of production.<sup>65</sup>

Bureaucracy does not occupy an organic position in the social structure according to Marx.<sup>66</sup> It is not directly linked with the process of production and that its main task is to maintain the *status quo* and the privileges of

<sup>62</sup> *Ibid.*, p. 134

<sup>63</sup> *Ibid.*

<sup>64</sup> Edward Greenberg, *Serving the Few: Corporate Capitalism and the Bias of Government Policy* (New York: John Wiley and Sons, Inc., 1974), pp. 25-26.

<sup>65</sup> *Ibid.*, p. 25.

<sup>66</sup> Mouzelis, *op. cit.*

<sup>60</sup> Mouzelis, *op. cit.*, p. 9.

<sup>61</sup> Ralph Miliband, "Marx and the State," in Tom Bottomore (ed.), *Karl Marx* (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1973), pp. 134-135.

the masters. The bureaucrats are characterized by "incompetence" and engage in "self-aggrandizement" accompanied by "sordid materialism" characterized by "internal struggle for promotion, careerism, the infantile attachment to trivial symbols, status and prestige."<sup>67</sup> Hence, using the Marxist perspective, corruptive behavior occurs when public officials engage in activities in protecting the interest of the dominant class "whether they be spending, taxing, regulating, or policing."<sup>68</sup>

#### *Monopoly Capitalism Under an Imperialistic Colonialist Policy*

The dynamic for change has, however, assumed a new dimension which Marx has not envisioned and which Lenin has stressed.<sup>69</sup> According to Lenin, technological revolution has led to the marked profitability of private enterprise and the *concentration* of capital and the control of production ushering the growth of *monopolies*. Exploitation is further entrenched and expanded by the *export of capital to the non-industrial nations which are subordinated by a colonialist policy*. Lenin has predicted that capitalist destruction will be waged by the proletarians among the colonized nations. Lenin says, "Like all monopoly, this capitalist economy inevitably gives rise to a tendency to stagnation and decay . . . The export of capital, one of the essential economic bases of imperialism, still more completely isolates the *rentiers* from production and sets the seal of parasitism on the whole country that

lives by the exploitation of several overseas countries and colonies."<sup>70</sup> The *rentiers* amass the wealth from their capital, with cheap labor performed in the colonial nations. Capital is diverted from domestic investment (where labor is relatively expensive) to foreign (colonial) investment, where cheap labor promises higher returns. More and more, there emerges, as one of the tendencies of imperialism, the creation of the "bondholding" (rentier) state, the usurer state, in which the bourgeoisie lives on the proceeds of capital export and by "clipping coupons."<sup>71</sup>

Like Marx, Lenin considers the state as an oppressive mechanism to perpetuate the interests of the dominant class. The only distinction lies in expanding the arena of oppression from the national setting to the hinterlands. The state will remain as "a special repressive force" for the suppression of the proletariat by the bourgeoisie.<sup>72</sup> However, in imperialism, there is an unprecedented strengthening of the "state machine" and an unprecedented growth of the bureaucratic and military apparatus because of increase in repressive measures against the proletariat in the home front and in the colonized nations.<sup>73</sup> The state apparatus is essentially a corruptive system beginning with the formulation of government until its operations. According to Lenin "the game of combination that is played in forming the government" is, in essence "only an expression of the division and re-division of

<sup>67</sup> *Ibid.*, p. 10

<sup>68</sup> Greenberg, *op. cit.*

<sup>69</sup> Henry M. Christmas, (ed.) *Essential Works of Lenin* (New York: Bantam books, Inc., 1966), pp. 236-239.

<sup>70</sup> *Ibid.*, p. 246.

<sup>71</sup> *Ibid.*, p. 267.

<sup>72</sup> *Ibid.*, p. 282.

<sup>73</sup> *Ibid.*, p. 293.

the 'spoils' in every level of government.<sup>74</sup> Like Marx, Lenin considers the state only as a:

product of the irreconcilability of class antagonisms. The state arises, when, where and to the extent that class antagonisms cannot be objectively, reconciled. And conversely, the existence with the state proves that class antagonisms are irreconcilable.<sup>75</sup>

*Monopoly Capitalism Under Neo-Colonialism.* The expansion and perpetuation of monopoly capitalism under a neo-colonialistic stage is even more "vicious" and "dangerous" than it was during the colonialistic stage.<sup>76</sup> While in theory, the state is "independent and has all the trappings of international sovereignty," in reality its economic system and thus its political policy is "directed from the outside."<sup>77</sup> Neo-colonialism is a system of indirect control and exploitation of the economically underdeveloped former colonial and semi-colonial countries in Asia and Africa and Latin America now possessing national sovereignty and formal independence.

Those who examine the role of monopoly capitalism to the Third World countries' development agree that underdevelopment is the resulting

feature of the neo-colonialism.<sup>78</sup> Followers in the Philippines include Lichauco, Espiritu, *et al.* and Constantino.<sup>79</sup> In the words of Bodenheimer:

The distinguishing feature of dependent . . . development is that growth occurs as a reflex of the expansion on the dominant nations, and is geared toward the needs of the dominant economies, i.e., foreign rather than national needs. The alternatives open to the dependent nation are defined and limited by its integration and functions within the world market.<sup>80</sup>

Capitalism in the poor countries of the modern world is likely to perpetuate underdevelopment in several important respects.

- (1) the increasing integration of the world capitalist system will tend to heighten the economic, political and cultural subordination of the poor countries to the rich countries.
- (2) capitalist institutions within the poor countries will tend to

<sup>78</sup> *Ibid.*, p. xi; Andre Gunder Frank, "The Development of Underdevelopment," in Robert Rhodes (ed.), *Imperialism and Underdevelopment: A Reader* (New York and London: Monthly Review Press, 1970), p. 9; Susanne Bodenheimer, "Dependency and Imperialism: The Roots of Latin American Underdevelopment," and Theotonio dos Santos, "The Structure of Dependence," in K.T. Fann and Donald Hodges (eds.), *Readings in U.S. Imperialism* (Boston: Porter Sargent Publisher, 1971), p. 158 and p. 235, respectively.

<sup>79</sup> Alejandro Lichauco, "Imperialism and the Security of the State." Submitted to the Delegates of the Constitutional Convention, Manila Hotel (April 1972), Mimeo; Augusto Caesar Espiritu, *Philippine Perspectives on Multinational Corporations* (Quezon City: U.P. Law Center, 1978); and Renato Constantino, *The Nationalist Alternative* (Quezon City: Foundation for Nationalist Studies, 1979).

<sup>80</sup> Bodenheimer, *op. cit.*, p. 158.

<sup>74</sup> *Ibid.*, p. 291.

<sup>75</sup> *Ibid.*, p. 273.

<sup>76</sup> Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism* (New York: International Publishers, 1965), p. IX.

<sup>77</sup> *Ibid.*

aggravate rather than to diminish inequalities in the distribution of income and power, and

- (3) capitalism will be unable to promote in most poor countries a long-run rate of economic growth sufficiently rapid to provide benefits to the whole population or to reduce the income gap between the poor and the rich countries.<sup>81</sup>

The mechanism of corruption under neo-colonialism has expanded from a national to an international arena like colonialism. The monopoly capitalists get as allies not only the public officials of developed world but also the officials of the less developed nations in perpetuating the interests of the monopoly capitalists although this is pursued in a more discreet manner, unlike colonialism. The state sectors in the developed and less developed nations become active participants in maintaining the capitalists concerns. The mechanisms employed by the state which constitutes corruptive behaviors may be summed up into two broad categories: one, the system-preserving functions to maintain capitalism and two, the direct intervention of the state in the capitalistic economy. System-preserving functions include:

- (1) regulation of groups that are not directly threatening to the system such as the unemployed;
- (2) suppression of groups that are threatening to the system

<sup>81</sup>Thomas E. Weisskopf, "Capitalism and Underdevelopment in the Modern World," in Richard Edwards et al. (ed.), *The Capitalist System* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1972), p. 443.

by deflecting their demands for structural changes into acceptable material demand and by developing ameliorative programs to absorb discontent (i.e., public education, employment regulation, tariff policies);

- (3) by providing protection to the interest of capitalists through the military. Direct intervention in the economy occurs as the state becomes actively involved in absorbing the surplus in the private sector by unnecessarily spending for military weapons, space exploration, research programs, agriculture subsidies and transportation subsidies.<sup>82</sup>

In essence, state programs are undertaken in order to alleviate the "misery of poverty" or at least "that something be done about its appearance." However, "an attack in the basic cause of the problem, the functioning of the economic institution is ruled out."<sup>83</sup> The state still continues to serve as the forerunner of "bourgeois democracy."<sup>84</sup>

How the state emerges as a corruptive system that perpetuates inequality results from the mobilization by the monopoly capitalists of certain sections in officialdom to protect their interests. Monopoly capi-

<sup>82</sup>Richard C. Edwards and Arthur McEwan, "Ruling Class Power and the State," *The Capitalist System: A Radical Analysis of American Society* (Englewood Cliffs, New Jersey: Prentice-Hall, 1972), pp. 136-138.

<sup>83</sup>*Ibid.*, p. 137.

<sup>84</sup>Paul Baran and Paul Sweezy, *Monopoly Capital: An Essay on American Economic and Social Order* (New York: Monthly Review Press, 1966), p. 155.

talism is the main source of "political power" expressed in the money spent in the choice of public officials who serve as spokesmen of the interests of the capitalist class.<sup>85</sup> Capitalists spend for indoctrinating the voting public, organizing and maintaining political parties, and running electoral campaigns. They take an active role in influencing the passage of public policies that will be beneficial to their interests (e.g., the construction of massive highways to complement the growth of industrial sector; opposing aid to education to limit the channel for upward mobility; supporting of the bills for military involvement in the Third World.)

State mobilization for capitalism is further enhanced by the sophisticated union of state and corporate sectors. There is often a frequent interchange of personnel between government and business. Each industry in a sense, "capture(s) a section of government and uses it to give government legitimacy to privately formulated policy."<sup>86</sup> Both *the governmental and policy-making bodies are vanguards in the protection of the monopolists' interests*. As Greenberg claims:

The public policy making structure is literally laced with business representatives whose desires, definitions of reality, and interest become an integral part of the decisional process . . . Government agencies (in turn) directly consult with business groups on business-related government activity as part of the general practice of consulting with and even handing over decision-making power to groups most affected by particular policies.<sup>87</sup>

*Summary.* In brief, the conflict theorists view corruption as a deviation of the behavior of a civil servant from the concerns of the public. The public primarily constitutes the workers of production in a capitalistic system. They are the masses who are considered the underprivileged in the society. The triggering factor for corruptive behavior is the capitalistic mode of production. Corruption and capitalism are one of the same process. The consequence of corruption is considered as always dysfunctional as far as the underprivileged class is concerned. Oppression can be resolved only through drastic means, involving a change in the mode of production. The table below provides a synopsis of the conflict theorists' perspective:

Table 3. Conflict Theorists' Perspective of Corruption

Definition	Public-interest centered definition (more specifically, the non-owners of production in a capitalistic system)
Cause of Corruption	The capitalistic mode of production (corruption is part and parcel of this mode of production)
Consequence	Always detrimental to the concerns of the workers of production
Resolution of Corruption	Revolutionary (involving a change in the structure of the economy)

<sup>85</sup> *Ibid.*

<sup>86</sup> Greenberg, *op. cit.*, p. 81.

<sup>87</sup> *Ibid.*, pp. 80-81.

The corruptive mechanisms of the capitalists are affected by the stage of economic development. From the national focus in competitive capitalism, the capitalists expand into other nations during the monopolistic stage because a monopolistic capitalistic economy is necessarily imperialistic (whether direct or indirect).

In the subsequent sections the current empirical data in the Philippines to substantiate the model that is applicable at present will be reviewed.

### Empirical Data on the Philippines

#### *Corruption From a Structural-Functional Perspective*

In this section, empirical data substantiating the structural-functional perspective on corruption in the Philippines will be reviewed. While scholars have not consciously considered themselves under this perspective, they shall be labelled as such if their studies on corruption as a rule assumed that the phenomenon is a function of a multiplicity of factors and whose identification will be helpful in defining control measures.

In this part of the study, therefore, the local scholars' definition of corruption, their causes, and the extent of their manifestation will be reviewed. The empirical studies which have been reviewed under this model dealt for the most part on negative bureaucratic behavior and less on political corruption.

*Definition of Corruption.* The public-office centered definition is the predominant perspective in the literature on corruption. Cariño and de Guzman, for example, consider corruption as a function of the public office and the norms of public duty. A person is considered corrupt if

“. . . he accepts money or money's worth for doing something that he is under duty not to do, or to exercise a legitimate discretion for improper reasons.”<sup>88</sup> Another scholar who uphold this line of thinking is de Quiros who says that corruption is the diverse ways by which the law is circumvented -- or conveniently disregarded -- in the pursuit of personal gain.<sup>89</sup>

In his performance then of public duty, a civil servant is expected to conform to certain norms. Deviation from these norms can be considered corruption. In the case of the Philippines, the norms embodied in anti-graft provisions had been aptly summarized by Cariño as comparable to the Weberian norms for ideal-type of bureaucratic behavior. These norms are:

- (1) Universalistic norm -- requires that the general good should be upheld. This means treating a person *sine ira et studio* and for disregarding personalistic ties when relating to clients.
- (2) Priority norm -- requires the bureaucrat to treat clients on a 'first come, first serve' basis. A bureaucrat should not give a latecomer any preference except in special cases.
- (3) Efficiency norm -- requires a bureaucrat to deliver the service in as little time and with

<sup>88</sup> Ledivina V. Cariño and Raul P. de Guzman, "Negative Bureaucratic Behavior in the Philippines: Its Causes, Developmental Consequences and Control Measures -- Past and Retrospective." Presented to the Political Finance and Political Corruption Study Group, IPSA World Congress, Moscow, 12-18 August 1978 (Mimeo.).

<sup>89</sup> Conrado de Quiros, "Why the Pinoy is not the most Honest Guy in the World," *WHO*, Vol. VII, No. 6 (7 July 1982), p. 25.



as little cost to the public.

- (4) Technical competency norm — requires proper application of a person's skill or professional training in serving a client.
- (5) Jurisdictional norm — requires the performance of one's duties within one's territorial boundaries.
- (6) Secrecy norm — requires the official to keep official secrets not only to preserve the power of his office but also to be able to follow the universalistic rule which warns against giving undue advantage to any person.<sup>90</sup>

Cariño and de Guzman have offered the richest typologies to differentiate varying types of corruptive behaviors which had been abstracted from the researches of their team members in the Bureaucratic Behavior and Development Project (BBDP) sponsored by the International Development Research Centre.<sup>91</sup>

Three typologies of corruption had been developed. These are:

- (1) whether or not it is individually committed;
- (2) whether the corruptive transaction is influenced by the norms of the culture or otherwise;
- (3) whether corruption is individual or systematic.

<sup>90</sup>Ledivina V. Cariño, "The Definition of Graft and Corruption and the Conflict of Ethics and Law." Paper presented to the Fourth Working Meeting of the Bureaucratic Behavior and Development Project, Hongkong, 25-29 August 1978 (Mimeo.), pp. 7-8.

<sup>91</sup>Cariño and de Guzman, *op. cit.*, pp. 5-10.

A behavior is considered as *graft* when the act is performed by a civil servant or a group of civil servants acting alone, without involving any person external to the bureaucracy or compromising the performance of duties of another bureaucrat.<sup>92</sup> This is exemplified by the malpractices and abuses in the procurement and distribution of supplies in the Armed Forces of the Philippines as uncovered by Doreza, such as "ghost" delivery of items, conversion, overpricing, short-delivery, delivery of poor quality items, imaginary repairs, and incorrect canvassing of prices.<sup>93</sup> Corruption, on the other hand, is characterized by the collusion of participants both within and outside the bureaucracy such as the case in the Board of Transportation when employees receive retainer's fee for expeditious processing of the clients license or when grease money is accepted for circumventing specified steps in the checking or resealing of taximeters.<sup>94</sup>

What norms guide the collusion between the client and the bureaucrat is the basis for distinguishing the second typology. When corruption is committed on the basis of the kinship-personal network, the behavior is considered as *favor* such as approaching a friend of a

<sup>92</sup>*Ibid.*, p. 5.

<sup>93</sup>Ramon M. Doreza, "The AFP Procurement and Supply Distribution System: An Appraisal" (unpublished masteral thesis, National Defense College of the Philippines, 1979), pp. 101-106.

<sup>94</sup>Victoria A. Bautista, "Negative Bureaucratic Behavior in the Regulation of the Taxicab Business: The Case of the Board of Transportation." Presented to the Fourth Meeting of the Bureaucratic Behavior and Development Project, Hongkong, 25-29 August 1978 (Mimeo.).

kinsmen in processing one's income tax.<sup>95</sup> When money is resorted to in mobilizing the bureaucrats, *market corruption* is manifested. Variants of market corruption include *tong* corruption which involves protection money regularly paid by individuals lower in status than the bureaucrat, as in the case of sidewalk vendors and drivers who are collected *tong* by policemen.<sup>96</sup> Another is *lagay* or *arreglo* which involves payment for a specific service rendered by the bureaucrat. This is usually paid by a high-status person to a civil servant who has bureaucratic power over the client exempting the client from a sanction regarding a violation (i.e., giving *lagay* to be exempted from punishment for tax evasion). The last variant of market corruption is "*retainer*" corruption or popularly known as "fixing" where a client practically employs a bureaucrat as a hedge against being subjected to possible sanctions.

As a rule, favor corruption is tried before market corruption. However, those who resort to market corruption may further strengthen the network between the bureaucrat and the client by establishing affinal ties through the *compadrazgo* system to further assure expeditious transaction with the bureaucracy.

Another typology is whether corruption is *individualized* or *systemic* in an organization. *Individualized* corruption is characterized by deviant behavior without organizational support. This may either be a graft or a

corrupt act. Systemic corruption, on the other hand, occurs when corruption has become "regularized and institutionalized that organizational supports back wrongdoing and actually penalize those who live up to the old norms."<sup>97</sup> The institutions reviewed by the team seem to provide evidences that corruption is of the systemic type. In a study of an office called the Bureau of Resource Management, Cariño and de Guzman found corruption so well-entrenched that in some instances bureaucrats could describe the same deviant process, even down to the "rates" per service and the way these were distributed throughout the bureaucracy.<sup>98</sup> In the case of the Bureau of Internal Revenue, a closeness among employees which almost duplicate family ties, protection and covering up for each other occurs, and sharing with those with less "opportunities" are engaged in by the one with "initiative."<sup>99</sup>

Corruption may be committed blatantly or indirectly. Take the case of the account made on the manner by which *lagay* was solicited in the study of the BOT.

The bureaucrat who requires *lagay* are of three types. One type outrightly states the exact amount for him to act on a given request. Corrupt bureaucrats of this brazen kind are referred to by clients as "*garapal*" or "*matapang ang apog*" (bureaucrats who do not experience fear or shame in committing the act). A second type does not state the price but insinuate their demands by making all sorts of statements ("*nagpaparinig*" — sounding or hinting). They say:

<sup>95</sup> Leonor M. Briones, "Negative Bureaucratic Behavior and Development: The Case of the Bureau of Internal Revenue." Prepared for International Development Research Centre, 1978.

<sup>96</sup> Cariño and de Guzman, *op. cit.*, p. 8.

<sup>97</sup> *Ibid.*, p. 9.

<sup>98</sup> *Ibid.*, p. 10.

<sup>99</sup> *Ibid.*

"Wala ba tayong panigarilyo diyan?" (How about some loose change for cigarettes? ) "Wala man lang bang pangmeryenda? " (Can't we have something for snacks?) The third type does not state nor insinuate orally a price but employ delaying tactics in acting on a paper ("nagpaparamdam" -- sends feelers). Typical of the comments made are: *Wala ho yata ang papel ninyo rito.* (I think your paper is missing). *Balikan na lamang ninyo ang inyong papel.* (Why don't you just come back here later to claim your paper?) The last type is the most difficult to deal with because a newcomer who does not know the system may be sent scouting for a paper in several places.

Some clients have resorted to "giving" money even when it is not solicited by bureaucrats. Sometimes "regalos" (gifts) are extended on special occasions like birthdays even if papers are not currently being processed. On operators said that giving gifts is a form of investment:

*Para ka makilala at maging popular, kailangang magbigay ng regalo. Alam mo naman, ang batas ay naku-kuha sa pakikisama. Kaya pag lapit mo, inaasikaso ka agad. (For client to be known and popular, giving gifts is important. As you very well know, the law can be taken by "smooth interpersonal relationship." So when the time comes for you to deal with them, they will attend to you right away.)*

The aforementioned operator who claimed to be very generous with gift-giving does not encounter very much delay in the semi-annual resealing of taximeters. He does not even have to wait for the scheduled date. Resealing of his taximeters can be done even early in the morning, sometimes at 6:00 a.m., when in fact, office commences at 8:00 a.m. Some bureaucrats willingly perform their

duties on "overtime pay" shouldered by accommodating clients.

The price of the gift given depends upon the position of the person to whom it is given. The higher the position, the more expensive the gift. One said, *"may oras na nagbibigay kami ng lechon para sa mataas na tao. Kung maliit na tao, tama na ang panigarilyo."* (There are times when we give roasted pig to a high ranking official. With regards to lesser employees, an amount for cigarettes is sufficient.)

Giving gifts to a person with a high position is often resorted to because this serves to establish continuous rapport. On occasions where difficulty is encountered by the client with those low on the rung, the person in power can stand as "*padrino*" (god-parent) to endorse the client to his subordinate and thus expedite requests.

All the clients interviewed consider corruption as unfair but, "What can we do?", they say. The bureaucrat wields two most important havoc mechanisms: delay and additional expense. Clients concede to illicit arrangements simply because they do not want their papers to be delayed and they could not just go against established malpractices. If a cab is grounded for lack of requisite papers, every minute of delay means loss of money. They also do not want to incur additional expense simply because a small lagay is not given and so the bureaucrat chooses to be strict. Besides, who will dare complain? The clients themselves are afraid of retaliation. In case the charged employee is not removed, he will still be there to give the complainant more trouble. There had been cases of employees who were purged but were reinstated due to the intercession of their colleagues or some higher

official who usually share their loot. The clients know these probabilities and therefore adopt a safe stance: "live and let live." After all, one client said, he will earn what he spent for lagay so why complain and antagonize them? Clients even fear being "blacklisted."

The difficulty with the "lagay" system is that priorities are only given by the bureaucrat according to the "worth" (in money or power) of the client transacting the business. As a result, one client observed:

*"Ang paglalagay ay dapat sumunod sa presyo ng ibang operators. Kaya kung small-shot ka lamang at hindi sumusunod sa ibang operators na may kakayahan talaga, maliit ang laban lipitin at patatagalin pa ang paglakad ng iyong papel.*

*Inaasahan ng mga tauhan ng BOT na pareho rin ang iyong maibibigay. Wala kang pangalan kung maliit ang inyong bigay."* (Giving bribe money should conform to the going rates of other operators. If you are just a "small-time" operator and you cannot follow the rate paid by the "big timers," you will find difficulty dealing with the system. All sorts of delay will be made on your paper. The employees of BOT expect that you will also give the same amount. You are at a disadvantage if you do not give the same amount).

*Causes of Corruption.* The most comprehensive citation of the causes of corruption is by Cariño and de Guzman's team and integrated in their report.<sup>101</sup> The causes were considered on the basis of whether corruption is individually committed or systemically manifested. Where con-

vergence with the team's findings noted with the other scholars' empirical data, they will be properly acknowledged as the factor is mentioned.

#### (1) Individualized Corruption

Individualized corruption is a function of a number of factors. For the most part, this may be attributed to the difficulty of the bureaucrats in coping with the present economic realities because of the low salary level of government employees.<sup>102</sup> Generally, government employees receive much lower salaries and wages when compared to those in private business.<sup>103</sup> This is not to mention the difficult economic realities pressing the nation and the world as a whole.

A second important factor is the weak moral fiber among some bureaucrats. A government official with low moral standard and values or one who suffers from moral lapses is susceptible to commit graft and corruption when the occasion presents itself.<sup>104</sup>

Another factor is the deficiency in the bureaucratic apparatus that enables the bureaucrat to engage in graft behavior; for example, some rules

<sup>102</sup> Ricardo P. Robles, "Structural Dimensions of Graft and Corruption in the Ministry of Public Highways Region VII," (unpublished masteral thesis, National Defense College of the Philippines, April 1980); Virgilio M. David, "Strategy for the Elimination of Corruption in the Government" (unpublished masteral thesis, National Defense College of the Philippines, 1980); and Wilfredo A. Clemente II and Constanza Fernandez, "Philippine Corruption at the Local Level," *Solidarity*, Vol. VII, No. 6 (June 1972).

<sup>103</sup> de Guzman, *op. cit.*, p. 256.

<sup>104</sup> *Ibid.*

<sup>100</sup> Bautista, *op. cit.*, pp. 21-22.

<sup>101</sup> Cariño and de Guzman, *op. cit.*

may be ambiguous or open too much room for the exercise of discretion providing opportunities in the commission of negative behavior. A case in point is the absence of a rational basis for determining the need for establishing a taxicab franchise. Lawyers "hear" on the evidence presented by an applicant without making a rational objective inspection of the need in an area.<sup>105</sup>

Some employees may have too much idle time encouraging diversion of energies to graft and corrupt activities. The monitoring system is weak to effectively assess the performance of the bureaucrats. In Doreza's study, it has been pointed out that some graft cases in the Armed Forces of the Philippines may be a function of an ineffective audit system in some units of the military.<sup>106</sup>

The nature and function of some government offices and the duties exercised by its personnel are conducive to the commission of graft; for example, some offices permit huge contracts which can bring huge fortune to some officials such as the case in the construction of public highways.<sup>107</sup>

The administrative processes in government are often so complicated and cumbersome that the clientele — the general public — find it difficult and time consuming to transact business with government according to prescribed procedures.<sup>108</sup> Some clients prefer to hire fixers to expedite processing of their papers.

## (2) Systemic Corruption

Systemic corruption in turn is

attributed to the factors mentioned above and, in addition, other factors within the administrative system and those external to it.

An administrative system not only becomes facilitative but supportive of corruption when leaders fail to emulate proper behavior. As de Guzman claims, "an organization can be corrupt only if its leadership is corrupt. The behavior of the lower echelon official is strongly influenced by the example set by the leadership. Thus, if the leadership is corrupt, chances are that the lower level officials are also corrupt."<sup>109</sup>

External bureaucratic factors that may also affect the existence of systemic corruption has been attributed to the ethico-social culture. The emphasis given to the kinship network system or one's family ties breed graft and corruption. Government officials find difficulty in refusing their relatives and this norm dictates that they have to give in to the wishes of their kinsmen against the public interest.

Another social mores is ostentatious display of material wealth which is considered an "aberration" by no less than former Public Highways Minister Vicente Paterno.<sup>110</sup> Paterno deplored such a behavior and laments over the fact that dishonest officials are accepted instead of rebuked by the public. This is reinforced by de Guzman's observation that official have an unlimited desire for wealth and good life which would be necessary to confirm their status as members of the elite in government and society.<sup>111</sup>

<sup>105</sup> Bautista, *op. cit.*

<sup>106</sup> Doreza, *op. cit.*, pp. 107-109.

<sup>107</sup> Robles, *op. cit.*, p. 21.

<sup>108</sup> de Guzman, *op. cit.*, p. 257.

<sup>109</sup> *Ibid.*

<sup>110</sup> Maragay, *op. cit.*

<sup>111</sup> de Guzman, *op. cit.*, p. 256.

The complex system of justice may also hinder the prosecution of criminal and administrative cases, according to de Guzman. This, he says, is aggravated by the fact that the courts take time to decide and dispose cases. There are even instances when the laws encourage commission of corruption because they are obsolete and unenforceable.<sup>112</sup>

The public is also to blame in the commission of corruption. Corruption can be avoided if the clientele do not accede to the extra-bureaucratic arrangement.<sup>113</sup> In fact, corruption money is almost considered a regular cost in the conduct of a business. Among the businessmen, there is even less incentive to follow the norms of the bureaucracy since the cost of corruption can be passed on to the consumer.

*Extent of Corruption.* Existing empirical researches and newspaper accounts assess the pervasiveness of corruption.

The study of Clemente and Fernandez in 1969 on two municipalities of Gapan, Nueva Ecija and Morong, Rizal regarding the perception of bureaucrats about the existence of corruption reveals that two-thirds of the respondents consider the government in general to be corrupt.<sup>114</sup> An even bigger percentage of the clients interviewed consider the government as corrupt: 71% of the peasants and 77% of the local elites interviewed perceive the government agencies to be engaged in corruptive behavior.<sup>115</sup>

<sup>112</sup> *Ibid.*, p. 257.

<sup>113</sup> Cipriano L. Espina, "Anatomy of Corruption," *Philippine Free Press* (January 1972), pp. 10, 33.

<sup>114</sup> Clemente and Fernandez, *op. cit.*, p. 79.

<sup>115</sup> *Ibid.*

Another project done in 1969, which involved comparatively more respondents (1,550) coming from 11 language groups of the Philippines undertaken by Harvey Averch *et al.* for the Rand Corporation, disclosed that widespread graft and corruption as a national problem was second to general economic issues, like rising taxes, increasing import, and high cost of living. In the same study bureaucrats in the line agencies and the government corporations perceive citizens as having a very low respect of their government.<sup>116</sup> Of the total respondents, only 23.9% had "much" and "very profound" respect for government. When asked why the majority had low respect for government, the respondents answered that it was due to "graft and corruption."

Assemblyman Vicente D. Millora, in a study on the state of corruption, estimated that about 10 percent of the Philippine gross national product is lost annually to graft and corruption. On the basis of the current GNP of P82.5 billion, about P8 billion is lost to negative bureaucratic behavior.<sup>117</sup>

The amounts involved in the malversation and mishandling of funds reported by the Commission on Audit amounted to P117.5 million for the period 1979-1981. Of the total P117.5 million, P40.7 million was incurred in 1981 of which only P1.4 million, or 3%, was returned to the government.<sup>118</sup>

A review of selected newspaper accounts reveals cases of graft and

<sup>116</sup> Harvey Averch *et al.*, *The Matrix of Policy in the Philippines* (Rand Corporation: Princeton University Press, 1971), p. 44.

<sup>117</sup> Maragay, *op. cit.*, p. 2.

<sup>118</sup> *Ibid.*

corruption plaguing a cross-section of Philippine bureaucracy:

- (1) In the Bureau of Internal Revenue (BIR) no less than President Marcos estimated that "under the table collections were rife, with 70% of this going to the regional district office while the examiners retained the 30%.<sup>119</sup> Deputy Commissioner Romulo Villa himself admitted more recently, that there is a continuing "lagay" system or bribery-extortion activities in the BIR. He said that even if the take-home pay at the BIR were raised ten times to its present level, corruption will remain.<sup>120</sup>
- (2) The National Housing Authority (NHA) came under fire recently when contracts had been sealed between NHA and Ginhawa Finance Corporation where incorporators and directors are either current officials of the NHA or persons related to NHA officials.<sup>121</sup>
- (3) In the Central Bank, a key officer of the financial intermediaries section was charged with graft and corruption for the purchase of a car at half of its actual price in 1978. This was procured through Philfinance whose money transaction the official was investigating.<sup>122</sup>
- (4) The Minister of Health recently ordered an inquiry into the background of some Food & Drug Administration (FDA) employees who are allegedly related to owners of drug firms.<sup>123</sup>
- (5) At the Ministry of Transportation — Board of Land Transportation Office, hundreds of utility vehicle operators in Metro Manila denounced several officials and employees for allegedly demanding grease money to facilitate registration of their units.<sup>124</sup>
- (6) At the Manila International Airport, at least ten customs men were reportedly watched on suspicion of working with smuggling syndicates.<sup>125</sup> These connections are informed two to three days in advance that a shipment is coming through. The bribe for each suitcase ranges from ₱1,000 to ₱5,000 paid in advance or after the "swing." A "swing" means to "bring the cargo from the conveyor to the counter of the customs examiner," who then approves the cargo for exit. A "swing" goes through in only 15 to 30 seconds.
- (7) At the Metro Manila Commission and its Environmental Sanitation Center, some top officials "tolerated" and even "abetted" "ghost" trips" of garbage trucks of trash-hauling tractors. In spite of the advice made by garbage agency managers to their superiors not to pay such trips, contractors

<sup>119</sup>*Bulletin Today* (2 October 1979), p. 1.

<sup>120</sup>*Times Journal* (20 November 1982), p. 1.

<sup>121</sup>*Metro Manila Times* (6 October 1982), p. 1.

<sup>122</sup>*Bulletin Today* (11 November 1982).

<sup>123</sup>*Bulletin Today* (26 September 1982).

<sup>124</sup>*Bulletin Today* (24 November 1980).

<sup>125</sup>*Peoples Journal* (21 August 1982).

got payments for "ghost" collection trips with the help of top officials of the center and the commission.<sup>126</sup>

### *Empirical Data with a Conflict Model Perspective*

A deeper analysis of the literature on corruption in the Philippines adopting a conflict model perspective reveals the critical argument by the researchers against the government policies that serve the interests of selected classes, particularly the capitalists and the agents of multinational corporations (MNCs).<sup>127</sup> The MNCs are the basic institutions perpetuating monopoly capitalism. For these groups of scholars, the formulation of policies that are contrary to the concerns of the masses constitutes corruptive behavior as well as selected bureaucratic behaviors that cater to the interests of the monopoly capitalists and their agents. Policies and bureaucratic behaviors in support of the MNCs spur the under-development in the Philippine economy and the condition of the workers of production.

In this section, the following topics shall be reviewed: why under-development results from the existence of MNCs in the Philippines; the policies

of the state that perpetuate the interests of the MNCs; other policies that are explicitly directed to improve the condition of the depressed sector but rather redound to their sector's further underdevelopment; and, the bureaucratic behaviors that serve specific interests of monopoly capitalists.

The cause of and the extent of corruption will not be discussed since the scholars assuming this perspective attribute the cause of corruption to capitalism and consider it as prevalent in this system.

*Mechanisms of Underdevelopment.* Multinational corporations are characterized by the "centralized management at home base of the far-flung global network of companies."<sup>128</sup> In the Philippines, these corporations command sales volume which is even greater than the GNP of the country. For example, in 1973-1974, every single one of the 11 top corporations in the country had sales volume greater than the Philippines' GNP. The top multinational corporation then, General Motors, had sales volume of US\$ 35.8 billion -- almost four times as much as the GNP of the Philippines.<sup>129</sup>

While this excess capital could have constituted the seed capital to encourage the further establishment of other businesses that could potentially generate employment, the practices of these corporations extract capital from rather than contribute to the local economy. In a study conducted by Bantegui and submitted to the National Economic Council in 1968, 84% of the funds generated for the period 1956-1965 by the 108 U. S. companies in the Philippines

<sup>126</sup> *Times Journal* (11 July 1982).

<sup>127</sup> Lichauco, *op. cit.*; Espiritu, *op. cit.*; Merlin M. Magallona, "Multinational Corporations and National Security," in Merlin M. Magallona (ed.), *Imperialism and Transnational Corporations* (Quezon City: Philippine Peace Council, 1980); and Robert Stauffer, "The Philippine Development Model: Global Contradictions, Crises and Costs," *Philippine Journal of Public Administration*, Vol. XXV, No. 1 (January 1981), pp. 16-36.

<sup>128</sup> Espiritu, *op. cit.*, p. 2.

<sup>129</sup> *Ibid.*, p. 6.



were from local sources.<sup>130</sup> These opportunities are provided because foreign firms have better credit ratings and can give more collateral business to banks enabling foreign firms to out-compete local entrepreneurs.<sup>131</sup>

Another MNC practice which is considered detrimental to the local economy is the repatriation of profits to the home country. For the period 1964-1972, the capital outflow exceeded inflow.<sup>132</sup> A summary of the data during this period shows that the ratio of inflow to outflow is 1:3. Mamoru Tsuda's account for the 1963-1976 period reveals that for every dollar invested by U. S. corporations, there was an earning of \$3.58. Out of the \$3.58, \$2.00 were repatriated from the country and the remaining \$1.58 represented income reinvested.<sup>133</sup>

To further maximize its profits in the Philippines, restrictive clauses are imposed by the multinational corporations in the production of its products in the hinterlands. Some restrictive production policies include the requirement to import supplies and capital equipment from the parent company preventing the utilization and development of local resources. Furthermore, these resources are even passed on at more exorbitant prices than other available

outlets. For example, UP Law Center's investigation of the drug industry showed that some drug companies required importation of necessary resources from their mother companies.<sup>134</sup> In 1975, Bristol/Mead Johnson imported from its mother Company 100 kilos of ampicillin components at \$177.98 per kilo at about the same time, Filipino-owned Doctors Pharmaceuticals imported the same antibiotic component from another company for \$130.22 per kilo for 70 kilos in March. In January of the same year, Pharmaceutical Industries (a Filipino firm) imported 50 kilos of the same substance for \$34.00 per kilo. A summary data of importation and overpricing of the 6 foreign drug companies for the period November 1970 to May 1972 reveals a total of 29.12% of the total importation cost of \$6,813,755.<sup>135</sup> This constitutes a huge loss in foreign exchange and a big drain in the consumers' pockets as they are charged exorbitantly by the MNCs. As a case in point, Bristol's Pentrexyl, a derivative of Ampicillin reportedly costs ₱1.22 per tablet of 250 milligrams. On the other hand, the Doctor's Pharmaceuticals' brand, Amplexillin is sold at only ₱0.90 per 250 milligram tablet.<sup>136</sup>

Other marketing and sales policies further stunt or exploit local consumers by passing to the consumers expenditures incurred to promote a product. A study prepared for the United Nations; Conference on Trade and Development (UNCTAD) on

<sup>130</sup>Merlin M. Magallona, "Transnational Corporations: Towards a Definition of a National Economic Security Problem and Its Resolutions," in Augusto C. Espiritu (ed.), *Philippine Perspective on Multinational Corporations* (Quezon City: U.P. Law Center, 1978), pp. 112-113.

<sup>131</sup>Espiritu, *op. cit.*, p. 45.

<sup>132</sup>Magallona (1978), *op. cit.*, p. 116.

<sup>133</sup>Mamoru Tsuda, Rigoberto Tiglaio, and Edith Atienza, *The Impact of TNCs in the Philippines* (Quezon City: U.P. Law Center, 1978).

<sup>134</sup>Espiritu, *op. cit.*, pp. 63-64.

<sup>135</sup>Esteban B. Bautista, "Multinationals and the Drug Industry," in Augusto C. Espiritu (ed.), *Philippine Perspective on Multinational Corporation* (Quezon City: U.P. Law Center, 1978), p. 189.

<sup>136</sup>*Ibid.*, p. 190.

foreign drug companies says that "the huge marketing and R and D expenditures incurred by the transnational companies world-wide are borne by all consumers, including the poor ones in the developing countries, although such expenditures contribute little to the real health needs of the vast majority of the developing world."<sup>137</sup> In the case of Bristol Laboratories, about one third of the value of its sales went to promotions and marketing in 1975.<sup>137</sup> Other restrictive marketing provisions include:

- (1) provisions which totally restrict the manufacturing enterprise in a host country in exporting its products;
- (2) restrictions which prohibit such an enterprise from exporting its products to the country of the parent company;
- (3) restrictions which prohibit the company from exporting its products to third countries;
- (4) restrictions which require that the enterprise in the host country must obtain the prior approval of the parent company before the former could export;
- (5) prohibitions against the use of brand name in exports; and
- (6) restrictions governing prices at which the products could be sold abroad.<sup>138</sup>

Multinational corporations control prime sectors of the economy pushing local entrepreneurs and stunting local initiative. The fruit manufacturing industry is controlled by a virtual monopoly of two American subsidiaries — Philippine Packing Corpo-

ration (Philpak) and Dole Philippines (Dofil).<sup>139</sup> In 1971, Philpak accounted for 61% of sales of the entire Philippine fruit manufacturing industry sales and Dofil, for 38.8% of the total. Three American firms are the top income earners in the rubber industry. These are Goodyear, Goodrich, and Firestone. They received 97% of all income generated in the industry.<sup>140</sup> Of the seventeen largest mining firms in the Philippine mineral industry, the leading companies have significant foreign capital investments: American, Canadian, and Japanese. These companies are: Atlas Consolidated Mining and Development Corporation, Marcopper Mining Corporation, Marinduque Mining and Industrial Corporation, Lepanto Consolidated Mining Company, and Benguet Consolidated, Inc.<sup>141</sup> Three of the four refineries that produce petroleum products are owned by foreign oil companies: Batangas Refinery is a wholly-owned subsidiary of Caltex Petroleum; Bataan Refinery is owned 43% by Mobil Oil and 57% by Exxon; and the Shell Refining Plant is a subsidiary of the Shell Co. (British-Dutch interest).<sup>142</sup>

The common argument that MNCs generate employment is contradicted. MNCs often depend on capital-intensive goods pushing local employment down. In the Philippines, the indications are that labor-saving technical progress has had a more important if not a dominant effect in capital/

<sup>139</sup>International Documentation on the Contemporary Church (IDOC), "The Philippines: American Corporations, Martial Law and Underdevelopment," Report prepared by the Corporate Information Center of the National Council of Churches of Christ in the U.S.A., 1973, p. 36.

<sup>140</sup>*Ibid.*, p. 62.

<sup>141</sup>*Ibid.*, p. 71.

<sup>142</sup>*Ibid.*, p. 58.

<sup>137</sup>*Ibid.*

<sup>138</sup>Espiritu, *op. cit.*, p. 57.

labor ratio.<sup>143</sup> An International Labor Organization (ILO) study also shows that multinational enterprises have created 11 to 12 million jobs in industrialized host countries and only about two million in developing countries up to 1975.<sup>144</sup> Since the figure on developing countries represents only 0.3 per cent of the work force there, the impact does not appear considerable. Considering that ILO has estimated that in the next 25 years, more than one billion jobs will have to be created in developing countries if an end is to be put to unemployment, MNCs contributions are negligible.

As some MNCs are labor-intensive like selected industries in the Bataan Export Processing Zone in Mariveles and the fruit industries in Mindanao, labor costs are rather very cheap in comparison to the mother countries; for example, a huge differential exists between Hawaii and the Philippines in the plantation labor rates. In 1972, Hawaii rates were \$2.50 to \$3.00 an hour, while in the Philippines, it was only \$0.09.<sup>145</sup> Hence, some MNCs prefer to grow the requirements of their home countries in the hinterlands. This is not to mention the liberal freight and tariff rates in the hinterlands. For instance, to transport a 53-pound case of pineapple products from the Philippines to the East Gulf only costs \$0.53 versus \$0.75 from Hawaii, in the latter part of the 60s.<sup>146</sup>

That MNCs develop local entrepreneurs is contradicted since most

MNCs key positions are occupied by foreign nationals.<sup>147</sup> In 1975 for example, all corporate officers of General Motors, the biggest automotive corporation in the Philippines were mostly foreigners. In another automotive giant (Ford Philippines), of 9 top management positions in 1975, 6 were occupied by foreign officials.

Another important negative effect is the impact of foreign firms on the psychological outlook of the local-labor force absorbed by the firms. According to Stauffer, when energetic talented entrepreneurial types are enticed into working for multinationals, there is likelihood that there will be assertive leadership to move the economy forward along autonomous lines.

A career in a multinational with its material ties of a good salary, liberal fringe benefits and with its attitude-modifying influences created by a work environment dominated by foreign behavioral models, might be expected to produce in the careerist some degree of removal if not alienation from the life of the country.<sup>148</sup>

The social effect of the MNCs is to steepen the inequalities between the foreign and local constituents of the firm. Foreign entrepreneurs develop their own enclaves and are totally unintegrated in the local social life and culture. They enjoy better remunerations and fringe benefits compared to their local counterparts.<sup>149</sup>

<sup>143</sup>George Hicks and Geoffrey McNicoll, *Trade and Growth in the Philippines: An Open Dual Economy* (Ithaca: Cornell University Press, 1971),

<sup>144</sup>Espiritu, *op. cit.*, p. 12.

<sup>145</sup>IDOC, *op. cit.*, pp. 41-42.

<sup>146</sup>*Ibid.*, p. 41.

<sup>147</sup>*Ibid.*, p. 43; Espiritu, *op. cit.*, pp. 13-14.

<sup>148</sup>Robert Stauffer, "Nation-Building in a Global Economy," *Philippine Journal of Public Administration*, Vol. XVI, No. 1 (January 1972), p. 20.

<sup>149</sup>IDOC, *op. cit.*, p. 39.

Some foreign technologies even pose dangers to human life and its environment. The case of the Kawasaki Steel Corporation is a classic example. This corporation was banned from operations in Chiba, Japan as it emits sulfur-oxide that is detrimental to the health of the population. It has now set up its sintering plant in Cagayan de Oro which constitutes 47.5 percent of all the Japanese investments here in the Philippines.<sup>150</sup>

*Policies of Attraction for MNCs.* The perpetuation of MNCs interests is further enhanced by the legislation of policies that protect the MNCs' goals and purposes. The primary measures aimed at attracting foreign investment include banking reforms, liberalization of specific laws, assurance of labor peace, relaxation of visa requirements, tax reduction of interests, liberalization of repatriation and profit remittances, and incentives for corporate headquarters in Manila as reported by IDOC.<sup>151</sup> The banking reforms reportedly hope to stabilize the financial sector, partly as an encouragement to foreign investors. As an example, guidelines had been issued by Central Bank in 1973 to increase the paid-up capital base of the commercial banks from ₱20 million to ₱100 million through mergers with other banks and other foreign equity participants. The reform was envisioned to increase the paid-up capital of the commercial banking system up to ₱3 billion in the next three years following its issuance.

Some policies attracting foreign investments are also contained in the investment Incentives and the Export Incentives Acts. As before Martial law, these new foreign investments

were continuously encouraged to establish their businesses away from overcrowded areas and will be given greatest incentives in pioneer areas. Amendments to the Export Incentives Act have also been made attractive to investors by providing liberal taxes for majority-owned foreign firm which export 70 per cent of their manufactured goods. An Assistance Team for Foreign Investors had been set up by the Board of Investments designed to aid and inform potential investors in the Labor Intensive Export Projects.

Some policies concerning labor strike is another attraction for foreigners. Strikes and picketing are prohibited and labor disputes are subjected to arbitration by the National Labor Relations Commission.

There are liberalized visa rules for potential foreign investors enabling unlimited non-visa stays in the Philippines. The 72 hour non-visa period of stay can be waived if a foreign capitalist can show satisfactory proof that he has made or intended to make substantial investment in the Philippines.

Furthermore, liberal taxation on foreign loans had been set as a rule to facilitate the overflow of credit into the Philippines. The tax rate for both individual and corporate loans had been reduced to 15 percent. Prior to this directive, the individual rate had been 25 percent and the corporate rate, 35 percent.

Liberalization of profit remittances and repatriation had been proclaimed by President Marcos in 14 March 1973. He said, new foreign investments were "... guaranteed complete freedom of repatriation covering both the invested principal and gains and without any time restriction."<sup>152</sup>

<sup>150</sup> Espiritu, *op. cit.*, p. 16.

<sup>151</sup> IDOC, *op. cit.*, pp. 27-29.

<sup>152</sup> *Ibid.*, p. 28.

This position was held because it would reconvert investments into their original currency at any time to create an atmosphere of economic confidence encouraging to investors. Central Bank issued a circular allowing 100 percent remittances of profits and dividends.

In June 1973, a decree was issued exempting from all forms of local licenses, fees, dues, imposts, or any other municipal or provincial taxes or burdens corporations that make Manila the headquarters. The Board of Investments requirement for clearance of firms with more than 30% foreign equity are not applied to these firms.

The most publicized tax incentive of foreign investors under martial law is peace and order. The government boasted of the end of the corrupt, crime-ridden "old-society" and the beginning of order, discipline, and efficiency under the "New Society."<sup>153</sup>

Incentives for two specific industries had been formulated. Oil exploration had been encouraged by allowing the investor to retain 40 percent share from the proceeds, with the remaining amount being retained by the government. The 40 percent share enjoys tax exemptions. Furthermore, the Rice and Corn Nationalization Act was amended to allow foreign enterprises to engage in the production of cereals breaking the long-time legal sanction against foreign participation in this sector.

*Other Corruptive Policies.* In addition to the active role of the state in the legislation of policies that protect the concerns of the monopoly capitalists, policies are also legislated to

explicitly improve the conditions of the depressed sector but which have rather led to their further underdevelopment.

### (1) Land Reform

A classic example is the social policy of Land Reform particularly its Operation Land Transfer (OLT). Its primary intention is directed against inequality in land ownership by land redistribution. However, the study of Catilo has shown that inequalities between landowners and tillers have not been substantially reduced. What has been promoted is differentiation and stratification rather than levelling of differences.<sup>154</sup> "Reverse land reform" is common and is characterized by OLT beneficiaries losing their rights to eventual ownership by selling their tenancy rights back to the landowner. The factors affecting this behavior were attributed primarily to the absence of support systems (i.e., credit, market). More important, however, is the fact that another policy — the Corporate Farming Program (CFP) — contradicts its full implementation and which serves the furtherance of big plantation owners and capitalists. The CFP issued on 27 May 1974 under General Order 47 required all corporations and partnerships that have demonstrated high profit-making operation and with at least 500 employees, to establish corporate farms for agricultural production. They are provided the needed inputs (i.e., credit, technical

<sup>154</sup>Ma. Aurora Carbonell-Catilo, "Appraisal of Agrarian Policies," Paper presented for the Public Policy and Rural Development Committee of Community Development Research Council and the Policy Studies Program of UP College of Public Administration, 1982 (Mimeo.), p. 52.

<sup>153</sup>*Ibid.*

advice, marketing outlets, NYVs etc.) which small farmers cannot provide themselves. The CFP does not only compete with small farmers in obtaining these resources but impinge on OLT and its targetted beneficiaries by the dislocation of settlers, small farmers, tenants and their families covered by the CFP.<sup>155</sup>

Furthermore, OLT has a limited coverage.<sup>156</sup> It only encompasses tenanted rice and corn lands and therefor excludes land planted to commercial crops and rice and corn lands under the labor administration or plantation management.

### (2) *Masagana 99*

Another major policy of the government to improve productivity, to achieve national sufficiency in rice and to improve the farmers' income is the *Masagana 99* (M 99). An analysis made on the implication of this policy to improve the conditions of the farmer lot has been considered nil. The *Masagana 99* is composed of a package of technology that is too expensive and can therefor "only be differentially availed of by farming groups."<sup>157</sup> Farmers who lack the technical knowledge and material means of production cannot innovate as easily or as quickly as those who are landed, liquid, and literate.<sup>158</sup> Furthermore, M 99 is only directed towards irrigated lands and excludes upland areas, non-irrigated areas and the participation of landless agricultural workers.

International and local analysis have pointed to farm income deterioration inspite of the next result of the agricultural production boom due to M99.<sup>159</sup> The gap between the rice farming income and cost of living at the start of M99 in 1973 is now wider not narrower. In 1981, farm income has grown three times but the cost of living is four times the 1973 level. With the farmer's ₱1.00 in 1981, he needs ₱8.00 more to meet the minimum daily requirement for sustenance.

### (3) Other social development policies

Cariño, assessing the responsiveness of the bureaucracy to the reduction of inequality and the improvement of quality of life, decries the current social policies for education, housing, health and welfare, women in development, and infrastructure. She argues that the welfare situation not only calls for more improvement but also for policies that do give more attention to those who are already poor,<sup>160</sup> for example, the former Departments of Health and of Social Welfare and the Presidential Assistant on Community Development have not implemented an equity rule. An examination of data on the services delivered by these social development agencies reveals the frequent appearance of Southern Tagalog as a region receiving more than its share of its services and is therefore bound to

<sup>155</sup> *Ibid.*, p. 40.

<sup>156</sup> *Ibid.*, p. 49.

<sup>157</sup> *Ibid.*, p. 27.

<sup>158</sup> *Ibid.*, p. 29.

<sup>159</sup> "Fertilizer Industry," *Ibon Facts and Figures*, No. 80 (15 December 1981), p. 2.

<sup>160</sup> Cariño, "Some Considerations. . .," *op. cit.*, p. 19.

increase its dominance over other regions even more.<sup>161</sup>

Cariño further laments over the government approach to the urban poor which does not correspond with their stated priorities. The bureaucracy offers housing and community facilities although the people list as their major problems the lack of employment and the lack of other basic necessities and money.<sup>162</sup> Slum-dwellers rejected some relocation and beautification projects because the "facelift solution" was and it usually resorted to on "special occasions" like:

- the relocation of squatters to "emergency" relocation centers during the Miss Universe contest held in Manila in 1974;
- the fencing off of conspicuous squatter areas with tall white slabs during the IMF-WB conference in 1978, and
- the overnight facade improvement of a preselected Tondo Foreshore area during Pope John Paul's visit.<sup>163</sup>

*Bureaucratic Corruption.* In addition to the legislation of policies to protect the interests of capitalists the state sector also manifests corruptive behaviors by performing official duties in the bureaucracy to cater to the needs of this particular sector. A case study on bureaucratic behaviors in granting licenses to public transportation industry has been reported to be mobilized by the resource capabilities of the client.<sup>164</sup> The client who has the following com-

ination of traits can win over others with a minimum of them: (1) status/prestige/power, (2) access to direct connections with a person of power or authority who has linkage with the regulatory body, and (3) financial capability in transacting the business which is necessary to enable the client to issue material incentives to perform activities beyond that required by organizational norms and rules; and, or to perform ones responsibilities efficiently. The less "gifted" the clients are in terms of these resources, the less able they are to deal with the agency. The conclusion of this paper is that the impact of corruption on overall development is the emergence of uneven competition because of the discrepant resource capabilities of the clients. The clients who are economically stable, powerful and very rich in connection can expeditiously obtain their needs from the agency. Those with lesser capabilities have minimal chance or may even lose their opportunities to engage in the business.

A case depicting the active participation of bureaucrats to protect an MNC's interest is the utilization of massive land space for the fruit plantation of Del Monte's Philippine subsidiary: the Philippine Packing Corporation (Philpak). The account on this says:

In 1937, the Philippine Commonwealth government created a public corporation to enable it to engage in business activities and to provide a means by which lands in excess of the legal limit, which by then was written into the 1935 Constitution, could be made available. The National Development Company (NDC) authorized that: "in commercial, industrial, mining, agricultural and other enterprises which may be necessary or con-

<sup>161</sup> *Ibid.*, p. 22.

<sup>162</sup> *Ibid.*, p. 23.

<sup>163</sup> "Squatters," *Ibon Facts and Figures* (15 October 1982), p. 2.

<sup>164</sup> Bautista, V., *op. cit.*, p. 26.

tributary to the economic development of the country or important in the public interest and for this purpose, it may hold (emphasis added) public agricultural lands in excess of areas permitted to private corporations, associations and persons by the Constitution and by the laws of the Philippines . . .

In 1938, NDC entered into a twenty-five year sublease agreement with Del Monte's subsidiary Philippine Packing Corporation (Philpak), involving 17,429.176 acres of public agricultural land that had been leased to the NDC by the Philippine government. At the very outset, serious constitutional issues were raised by this contract, which is still in effect. Article XIII, Section 2 of the Philippine Constitution explicitly provides: "No private corporation or association may acquire, lease or hold public agricultural lands in excess of one thousand twenty-four hectares . . ."

Further, the authority of the NDC to sublease land is questionable. Its charter authorizes it to hold, not to own or acquire, public agricultural lands in excess of 1,024 hectares. This limitation seems to be reinforced by one time specification in the charter stating that NDC will hold the land "for a period not exceeding twenty-five years, renewable by the President of the Philippines for another period not exceeding twenty five years." The charter does not authorize the NDC to hold permanently or sublease lands in contravention of the Constitution. It would therefore appear that the areas held by Philpak in excess of 2,252.8 acres (1,024 hectares), or 15,176.376 acres are illegally and unconstitutionally held.<sup>165</sup>

Another case is the collusion between TNCs and the Fertilizer and Pesticide Authority (FPA) in barring the entry of Filipino pesticide manufacturers in the market.<sup>166</sup> The farm

plan of the Masagana 99, drawn with the participation of the FPA, specifies only imported pesticides which are usually German and American products. For a product to be included in the Masagana 99 program, the FPA requires testing at the National Crop Protection Center and at the Bureau of Plant Industry, whose laboratories are manned by German and American technicians. In spite of the fact that one inventor passed the test at the Philippine Patents Office, he did not pass the FPA laboratories.

The potential of the bureaucracy to engage in corruption is even heightened by the development of state capitalism — where the state engages in joint venture with MNCs in the control and management of prime commodities. By tying up with MNCs, the bureaucrats are liable to allow MNCs to exploit the country's patrimony.<sup>167</sup> Some of these joint ventures include:

*NDC-Gutherie Plantation, INC.*  
Incorporated May 2, 1980 as a P400 million joint venture between NDC (60%) and Gutherie Overseas Holdings Ltd. of London (40%). The firm is authorized to develop an 8,000-hectare oil palm plantation in Agusan del Sur.

*Plantation Development Corp.*  
(PDC) — A P295 M joint venture between NDC (55%) and Dunlop Holdings Ltd. of England (45%). The firm will work on 5,000 hectares of land in Agusan del Sur to produce 26,000 MT of palm oil and

<sup>166</sup>Rene Ofreneo, "Modernizing the Agricultural Sector," in Vivencio R. Jose (ed.), *Mortgaging the Future* (Quezon City: Foundation for Nationalist Studies, 1982), p. 109.

<sup>167</sup>"Government Corporations," *Ibon Facts and Figures*, No. 79 (November 1981), p. 1.

<sup>165</sup>IDOC, *op. cit.*, p. 37.



5,000 MT of palm kernels annually. Palm oil is used as raw material in the manufacture of margarine, cooking oil, and other food products, soap detergents, and textile plasticizers.

*Philippine Associated Smelting and Refining Corp. (PASA)* — A US\$100 million joint venture between NDC, a consortium of Japanese mining and trading firms, and a consortium of local mining companies. The firm is putting up a plant in Leyte to process copper concentrate into 99.9% pure copper for export to Japan.

*Cellophil Resources Corp. (CRC)* — A multi-million peso joint venture between NDC (70%), three Japanese firms (12%), and a Swiss company (18%). Along with sister firms Cellulose Processing Corp. (CPC), CRC owns a logging concession covering 200,000 hectares of contiguous pine forest lands in Abra, Ilocos Norte and Sur, Kalinga-Apayao, and Mountain Province.<sup>168</sup>

### *Summary and Analysis*

A review of the empirical data on the Philippines to depict the two models reveals varying focus or emphasis in the study of corruption. The structural-functionalists paid particular attention on bureaucratic deviations while conflict theorists considered, in addition, corruptive behaviors at the level of policy decisions. The varying thrusts of the two approaches may perhaps be a function of their operational definitions. The structural functionalists were more inclined to view corruption on the basis of deviations from the norms of public duty. Most of the data generated are on bureaucratic corruption which are more visible than political corruption, according to the structural-functionalists. On the other hand, conflict theorists view as corruptive, behaviors that differed

from the concerns of the masses or the workers of production. The public-interest perspective is assumed by the conflict theorists.

The varying definition of the two models has therefore led to a difference in the *unit* of focus in the study of corruption. The conflict theorists have given emphasis on the principal entities of the economic mode of production and their transactions whereas, the structural-functionalists analyzed corruption resulting from the defects in the administrative machinery and other complex factors external to it. This distinction is due to the contrasting assumptions regarding how organizations/societies behave. The conflict theorists' argue that conflict is endemic in a capitalistic system. On the other hand, the structural-functionalists consider organizations/societies as moving toward the attainment of stability by curbing known sources of tension internal or external to the system.

The implication of the varying operational definitions on corruption signifies a difference in the measure for extent of corruption. For the conflict theorists, a policy that is considered as contradictory to public-interest, automatically considers corruptive behavior as endemic because the policy's effect is systemic. In the case of structural-functionalists, the extent of corruption is based on the number of persons who engage in the transaction or the volume of extra-legal transactions that are pursued in the performance of a public duty; hence, corruption could either be individualized or systemic.

### **Conclusion**

While the two perspectives depicted a differing focus in examining

<sup>168</sup> *Ibid.*, p. 6.

corruption, their merits must be considered for a meaningful understanding of and to identify effective control measures for corruption. In other words, what the authors argue is not to favor one model over the other but for the convergence of the two models. The bias of current literature for structural-functional perspective need not mean an outright rejection of the presentation of the conflict model. Some of the data generated by the structural-functional perspective may be enriched by the data generated or approach held by the conflict theorists. Traditional social science and administration literature appears to have closed the possibilities of merging the two models in shaping data-gathering.

As the structural-functionalists have presented a comprehensive view of the factors affecting corruption, their empirical studies in the Philippines had been quite focussed on bureaucratic corruption failing to or hardly considering the dynamics of political corruption and how political corruption can affect bureaucratic behavior. How policies are legislated and for what sectors they are legislated must be reviewed; bureaucrats only implement policies. If policies are at the outset defective, then no amount of control measures on bureaucratic behaviors can be instituted because what is being implemented is at the outset faulty. The establishment of the Policy Studies and Program Administration as an area of specialization at the CPA-UP is an important institution. Policy studies may provide helpful tools and techniques in analyzing corruptive behaviors.

Furthermore, an assessment of whether or not one deviates from bureaucratic norms should not only be on the basis of the norms of one's

public duty. It must be as pointed as the conflict theorists' stand on the *particular sector the public officials wish to serve*. What indeed constitutes *public interest*? In a time when gaping inequalities are being experienced, one cannot afford to have loose definitions of what *public interest* should constitute. If one is to be guided by the fundamental philosophy of the five-year national development plan, President Marcos said that the sector that should be improved should be: "the poorest segments of our population including the unemployed, the underemployed, the homeless dweller, the out-of-school youth, the landless and upland worker, the *szcada* and the sustenance fisherman."<sup>169</sup> He urged further that: "A much improved quality of life is to be extended to all our people in the shortest time possible." If one can be more vigilant in pursuing the interest of this sector, examining how policies are formulated and implemented to serve them, one can perhaps be more responsive in redressing inequalities.

The conflict theorists' argument that corruption is for the most part a function of the existence of a capitalistic system which can be resolved by radical transformation of the economy, is definitely a revolutionary alternative. A political official committed to a capitalistic system will reject this argument. As the monopoly capitalistic system's impact on underdevelopment is felt, some softer measures can be adopted to resist the control of and domination of social life and political economy by

<sup>169</sup> Philippines (Republic), National Economic and Development Authority, *Five-Year Philippine Development Plan, 1983-1987* (May 1982), p. viii.

these entities. One should explore the alternative measures that can be formulated to encourage small and indigenous entrepreneurs to establish a business so that they are not edged out of these enterprises. What mechanisms must be created to support existing programs that are primarily addressed to uplift the conditions of the depressed sector? When policies are formulated to encourage small entrepreneurs, are these not contradicted by other policies protecting the elites? What is the role of the state capitalism in responding to the

needs of the depressed sector of the economy?

Perhaps there is merit to defining the programmatic strategies by which the New Public Administration which considers an equitable distribution in society as an important objective can be realized. How can equity be achieved? What new patterns of administration can respond to the New Public Administration perspective?