

POLITICAL AND SOCIAL FOUNDATIONS FOR REFORM: **Anti-Corruption Strategies for the Philippines**

Michael Johnston

ASIAN INSTITUTE OF MANAGEMENT



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Political and Social Foundations for Reform: Anti-Corruption Strategies for the Philippines

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Summary

Corruption in the Philippines diverts, delays, and distorts economic development, undermines the quality and credibility of democracy, and reduces the quality of life. That is so not just because of its extent but also because it comes in particularly disruptive and intractable forms. Philippine corruption is an example of the *Oligarch-and-Clan* syndrome—one found in countries offering significant and expanding political and economic opportunities in a setting of very weak institutions, but a pattern shaped by historical, cultural, and geographical influences specific to the country. Oligarch-and-Clan corruption is particularly disruptive, in development terms. Because of institutional weaknesses and the power of corrupt oligarchs and their followings, it often faces ineffective opposition. More than other syndromes it is closely linked to violence, and sharply limits the state's ability to perform such basic functions as revenue collection, maintenance of institutional foundations for the economy, law enforcement, conflict resolution, and dealing with security threats.

The new Aquino administration has genuine anti-corruption opportunities, however, not least because during the election campaign it made corruption control its prime appeal. By now we know a great deal about how to improve routine public-sector processes, such as personnel, procurement, and budgeting, to name some major examples. Thus this paper does not discuss such measures in any depth. Often, however—as in many other countries where corruption is persistent and entrenched—worthwhile reforms and improvements lack sustained political support. In this paper I propose a series of anti-corruption steps intended to build such support on the basis of demonstrated success and improvements to citizens' quality of life. The proposed changes would replicate, over time, the deep democratization that historically helped check serious corruption in a variety of other nations. Several proposals are for the short term, and are aimed

both at (re)launching reform and at earning public credibility. Longer-term measures are noted as well, and can build upon early actions and credibility. Some proposals can be acted upon by executive order and administrative implementation; others would require legislation or even constitutional changes.

The short-term recommendations:

- Relentlessly frame corruption control in terms of fighting poverty and improving the quality of life for citizens; build trust through the effective provision of services in which large parts of the population share an interest.
- Consolidate anti-corruption responsibilities now scattered among the Ombudsman, PAGC, blue-ribbon bodies, and others:
 - The consolidated agency would not be the current Office of the Ombudsman under another name. That office should be abolished, and its core anti-corruption functions should move to the new agency (actions requiring constitutional change).
 - The new consolidated agency should be the clear intake/citizen focus point for investigatory and prosecutorial processes.
 - The consolidated anti-corruption office should have arrest and subpoena powers, and should either possess the power to prosecute or be able to compel prosecution of cases upon appeal to the President.
 - The consolidated agency should avoid donor-driven anti-corruption and service-delivery projects. The most worthwhile of such projects should be delegated elsewhere, on a selective basis, depending upon their goals.

- The consolidated agency must have sufficient staff and resources to follow up complaints effectively, guaranteeing security and confidentiality for citizens.
- Recruit an Eminent Persons Group (EPG) from many segments of society to advise on and oversee evaluation of reforms, report to the public, and appoint/remove the head of the consolidated anti-corruption agency.
- Speed up the Sandiganbayan, in part by restructuring its case load but also through full staffing and resources. End the practice of trying cases in separate stages at widely-separated times. Insofar as possible, once a case has been placed on the docket it should move toward resolution in a continuous, expeditious manner.
- Establish a Citizen Advocate within each Cabinet-level Public Service Department.
- Choose one or two sectors *with direct impact on the quality of life*—such as the Department of Education and BIR or other taxation bodies—and:
 - Regularly *gather and publish* data on performance, such as the time and number of steps required for regular administrative functions.
 - Regularly *gather and publish* data on the quality and costs of services.
 - Compare the data above to appropriate benchmarks, again publishing results, and make clear that the resulting data receive top-level review.

- Conduct and publish regular top-down performance-and-integrity reviews of those sectors; involve citizens and NGOs in those reviews.
- Publicly cite and reward officials responsible for improved performance; require unsuccessful officials to account for results.
- Allocate resources to reward agencies and jurisdictions showing improvement.
- Over time, expand such assessments to include other sectors
- Conduct and publish repeated lifestyle-and-asset disclosures for top-level officials.
- End lump-sum budgeting; sharply reduce or eliminate presidential discretionary funds.
- Support reform-minded bureaucrats with bonuses, recognition, whistleblower protections, and promotions. When corrupt officials are dismissed, roll their salaries over into higher pay for those who remain.

The Longer Term

Another family of anti-corruption measures is aimed at the longer term. That does not mean that those actions should wait until some distant date, but rather that their effects are likely to be seen over a greater number of years:

- Launch, sustain, and refine an anti-corruption curriculum in the schools.

- Elect Senators by districts (another action requiring constitutional amendment).
- Enhance the professionalism, political independence, and credibility of the judiciary, emphasizing protection of human rights, and property rights
- Simplify the tax code, creating broad but progressive “bands” of taxation that feature few exemptions, low rates, and uniform treatment of taxpayers, in order to reduce the discretion of tax collectors/assessors
- Refocus political finance policy to encourage bottom-up participation and well-structured competition among parties with broad and legitimate social bases.

Ultimately, the strongest anti-corruption force in society will be the Filipino people themselves.

I. Introduction

Corruption—entrenched, persistent, lucrative, and usually facing relatively weak constraints—is a major cause, and consequence, of the Philippines’ persistent problems of economic development and democratic consolidation. No one would attribute all of the nation’s problems to corruption, and in no way does corruption negate all that is good about the nation and its people. Further, the Philippines is by no means alone in facing such problems—for every country has corruption—nor are its difficulties the worst in the world.

Still, corruption has helped produce a chronically ill economy; spectacular inequalities of wealth and privilege; a weak-but-heavy state; political processes that are contentious but rarely decisive, save in the sense of giving one elite faction advantages over others; representative institutions that are part of the country’s elite- and faction-driven political pattern, rather than aggregating and expressing grassroots interests; a judiciary facing many threats to its independence, and in need of shoring up its own credibility; and a citizenry that must contend with poverty while coping with all of the above. Moreover, each of those problems, among others, creates opportunities and incentives for further abuses. If, as I will suggest in the pages to come, corruption is such an embedded problem—not something that “happens to” a society, but rather an outgrowth of history, culture, problems of development, and contemporary difficulties in the way the society governs itself and organizes its economy—what, if anything, can be done? If, as is the case through history, a number of formerly high-corruption societies have brought the problem under control, what lessons can be learned from such cases, and how can we apply them in the Philippines?

This working paper draws upon two visits to Manila in July, 2009, and February, 2010, both of which featured a demanding

and extremely informative series of meetings and public discussions on the general issue of anti-corruption strategy for the Philippines. I brought to the table a series of ideas and findings based on many years' of comparative study of corruption and reform, but far more important were the contributions of many individuals who freely gave of their knowledge and experiences. While they are not named in this report, I am very much in their debt.

Rather than dwelling upon specific improvements to public sector administration and related processes, this discussion will emphasize ways of building new expectations and links of accountability between citizens and the state. While the question of how best to reform public sector institutions and administration is far from a settled issue, we know a great deal about “best practices” and other operational standards for doing public’s business. But the sustained, long-term political support such measures need—both from top-level figures and from society as a whole—is often lacking. Too often we assume that because it is in the interest of most citizens and businesses to check corruption, they will actively back reform; and too often such expectations fall victim to collective-action problems¹ and other vagaries of political life. Worthwhile innovations and potentially valuable reforms, in many societies with extensive corruption, wither and lose effectiveness because few people feel a real stake in ensuring their effectiveness.

Thus this paper does not recommend or develop an inventory of process-oriented reforms. Instead, it emphasizes ways of building

¹ Collective action problems arise when individuals think they stand to gain from the accomplishment of a group goal, or a public good, whether or not they contribute toward the effort themselves. In such a situation many will rely on others to put in the effort and assume the risks. Naturally, when everybody acts this way nothing gets done. Collective action problems are common in anti-corruption work, particularly when reforms are presented solely as benefits for all rather than as connected to people’s and families own interests, because fighting corruption is often difficult, risky, and a long-term proposition.

political foundations for corruption control over the middle to long term. I will offer a list of specific proposals to be laid before President Aquino and his advisors, both for short-term and longer-term action, and will outline a basic implementation sequence for the most distinctive aspect of the strategy recommended here—that is, the gathering and publication of indicators and benchmarks of government performance. Instead of proposing new anti-corruption projects or massive national morality campaigns, the focus is upon ways of building the political foundations, social trust and expectations, and new relationships of accountability needed to support *any* specific remedies that might be put in place (see, on these issues, Montinola, 1999; Batalla *et. al.*, 2001; Hutchcroft and Rocamora, 2003). In those political and social senses it is a transformational agenda: it aims at changing basic relationships—indeed, and forging a new kind of social contract²—between citizens and those who govern.

Why is there not more corruption?

We often worry, with good reason, about the scope and tenacity of corruption in many societies. But in a way we might also ask why there is not much more of it, and how it was ever brought under control anywhere. Corruption, after all, broadly benefits the “haves” at the expense of the have-nots: even where widespread favors and petty patronage is the rule, as has been the case in places as diverse as Chicago, 17th century England (Roberts, 1966; Peck, 1990), and the Philippines, such favors are a means of control. Corrupt figures frequently use money, special connections and access, and particular kinds of expertise in their schemes; those resources are scarce, unequally distributed, and facilitate corrupt activities that are anything but altruistic. The major benefits of corruption are generally tangible, immediate, and concentrated

² My thanks to Jerry Hyman for suggesting that way of thinking about the relationships envisioned here.

in relatively few hands, creating strong incentives for those involved to protect their advantages and resist controls. The costs of corruption, by contrast, are generally widely-shared, and are often long-term and intangible. While those costs are no less serious for all that—corruption, in the long run, helps keep poor people poor and democratic processes ineffective in a variety of societies—the incentives and opportunities for any one person to fight corruption on any one day are usually small. When we add to those factors the clandestine nature of many corrupt processes—frequently, all who know of a corrupt act have an interest in keeping it secret, and there is no immediate victim (as there is when, say, a car has been stolen)—it seems all the more remarkable that corruption has ever been reduced anywhere.

The anti-corruption accomplishments of Hong Kong and Singapore are the best-known success stories, although both are small undemocratic city-states unrepresentative of any wider group of cases. While progress has often been made at the program or agency level, at least for a time, sustained and broad-based progress against corruption in full-scale, socially diverse societies are difficult to identify, even after a generation of anti-corruption programming and effort (Mungiu-Pippidi, 2006). Large sums have been expended by governments, aid agencies, and some businesses in aid of corruption control through administrative improvements, stronger parliaments and civil societies, and rule of law—often, without much lasting benefit.

But there are some historical success stories with real relevance for the future of the Philippines. Several societies have brought once-extensive corruption under control, often in the course of struggling with other issues. Progress was not made merely through fear of punishment or appeals to civic virtue, but rather grew out of long-term political contention over the sources, uses, and limits of power. That contention was not driven by reform schemes, but rather by people and groups with vested interests in

resisting official incursions upon their property, and abuses of what they took to be their rights. The results are examples of what this paper call “deep democratization.”

In the United Kingdom in the 17th Century, for example, contention between Crown and Parliament over religion, taxation, and royal patronage and favoritism both within Parliament and without became so severe that it led to a series of sensational impeachments, civil war, regicide, and a short-lived republic. By 1689 there was a reconstituted monarchy that reigned, but as time went by would not rule, occupying a place and function limited by Parliament. Key reform ideas—notably, that the King could act only through advisors, that those advisors were accountable to Parliament, and that Parliament was accountable to the electors, emerged in the heat of contention and debate—not, as modern observers might expect, as proposals for reform, but rather as clubs useful for belaboring critics and opponents (Peck, 1990; Roberts, 1966). In the United States in the late 19th and early 20th centuries urban reformers, like their English counterparts two centuries before, used the vocabulary of corruption and political morality in their struggles against machine bosses. But not far beneath the surface was a bitter conflict over who should run the city: patricians, property owners, and businessmen, or the bosses and waves of immigrant voters who had pushed them out of power (a widely-quoted polemic on that issue appears in White, 1890; see also Hofstadter, 1955; Steffens, 1969 ed.; Stave, 1972; Shefter, 1976). In 19th century Sweden new education policies and civil service institutions succeeded in checking formerly-extensive corruption not only because they were good ideas in themselves, but because they helped create and give voice to new political constituencies (small businesses, the free professions, administrators who would eventually be called technocrats, and the rising middle class) demanding accountability and orderly, effective government (Rothstein, 2000).

In all three cases limits on power, important civic values, reformed institutions, and mechanisms of accountability were *outcomes* of political contention over power, privilege, and fairness in society—conflicts energized by real and lasting self and group interests—rather than good-governance schemes pushing for reform as a public good.

I will explore the implications of such cases in more detail below, but for now a few points are worth emphasizing. One is the meaning of “strategy”. Most anti-corruption efforts are called “strategies”, but are really *tactics*—an administrative improvement program here and a transparency initiative there, all worthwhile in themselves but not addressing the underlying forces shaping the ways a society is, and is not, governed. *Strategies*, by contrast, are long-term efforts to build sustained resistance to corruption at a societal and systemic level, using a coordinated mix of direct and indirect means. Strategies should not be thought of only, or even primarily, in terms of targeted anti-corruption measures. Instead, they should encourage the sort of “deep democratization” sketched out above, in which citizens take issue with official abuses because it is in their own best interests to do so. Those processes will not be neat and straightforward, and in fact they may feature considerable contention. But the political foundations for reform, and the settlements limiting official power, that can emerge in the middle to long term replicate the sorts of limits on power devised by other formerly-corrupt societies as they have thrashed out questions of who should govern society, how and on what basis. Punishment-and-deterrence tactics can be effective when they are part of, and are backed up by, such political settlements; other measures might be aimed at reducing opportunities for corruption, making its effects more apparent, and making it less profitable—in effect, not at building a corruption-proof system but one that is tamper-evident and rewards better governance.

Those sorts of strategies, broadly defined, are the point of this paper. A number of ideas will be offered that I believe can aid the political processes and changes that are needed. But laws, enforcement, administrative improvements, transparency measures and civil society initiatives will have the greatest chance of success when they engage the interests and felt needs of Philippine citizens (for a comparative study of how those issues affect civil society-building efforts, see Mavrikos-Adamou, 2010), and the formidable energies of society itself.

II. Corruption in the Philippines: Oligarchs and Clans

What makes corruption in the Philippines so resistant to the numerous reform efforts that have been underway for years? The Philippine case falls squarely within what I have termed the “Oligarchs and Clans” syndrome of corruption (for a statistical and case-study development of that argument, see Johnston, 2005a, particularly Ch. 6 which includes a short case study of the Philippines). That syndrome, one of four³ identified in my earlier work, should be understood as an “ideal type” (on that classic Weberian notion, see Coser, 1977)—that is, a simplifying construct meant to emphasize and interpret elements common to a larger number of cases that are by no means identical but do share important characteristics. Essentially, it refers to a situation in which significant and growing political and economic opportunities abound in a setting of weak institutions. Corruption, under those circumstances, tends to be dominated by the dealings of a relatively small number of powerful figures and their personal followings. Oligarchs and Clans foster particularly worrisome forms of corruption and their deep roots in Philippine geography, history

³ The other three are Influence Markets (e.g. the United States, Germany, and Japan), Elite Cartels (South Korea, Italy, Botswana), and Official Moguls (China, Indonesia, Kenya). See Johnston, 2005a.

and society create strong constituencies with a stake in the status quo. That overall characterization was echoed (and, at times, anticipated) by many of the people I met and interviewed in Manila.

Oligarch-and-Clan corruption, as seen in a variety of societies ranging from Russia and Mexico to Nigeria and Venezuela, as well as the Philippines, is contentious, disorderly (often in a zero-sum⁴ pattern), and can be linked to a climate of pervasive insecurity as well as to violence (this discussion is based on Johnston, 2005a: Ch 6). The oligarchs may have long-standing power and prestige, or be *arrivistes*. Their “clans” vary in size and composition, but typically operate in both the public and private sectors; indeed, in some oligarch-and-class societies that is a distinction without much of a difference. Such clans are useful as ways to project influence and see off rivals, but they generally must be rewarded again and again in material terms as followers have several potential options. Often public agencies and policies—including law enforcement and reforms—are “owned” by one elite faction or another, or are perceived in such terms, anti-corruption efforts may well have little credibility as a result. Where oligarch-and-clan corruption is serious, people at many levels of society live in a setting of pervasive insecurity marked by economic uncertainties, weak property rights, shaky civil liberties and political rights, powerful but unaccountable elites in politics and the economy and, all too often, all-too-imminent threats of violence.

Many corrupt oligarchs in Russia and Mexico, for example, have come to the fore relatively recently as political transformations and economic liberalization have injected large stakes into a game with few institutionalized rules. The Oligarchs of the Philippines,

⁴ Zero-sum situations arise when one party's gains are another party's losses. In such settings anything resembling the public interest is likely to lose out to conflict among factions who see any gains made by others as coming at their own expense. Such conflicts often become bitter, resist efforts at compromise, and make it extremely difficult to build mutual trust. A more desirable pattern would be non-zero-sum, particularly if all parties can gain.

on the other hand, differ in some respects.⁵ The term does not necessarily refer to corrupt figures, but rather to a way of organizing society—in effect, to a style of life, influence, leadership, and obligation that can be put to diverse uses, producing a wide range of outcomes both positive and negative. Philippine oligarchs, for the most part, lead families rather than factions built on the distribution of political spoils (Hutchcroft, 1991; McCoy, 1993a; Hutchcroft, 1998). Many of those families have been prominent for generations, either nationally or within bailiwicks scattered across the Republic's regions and islands. Others have carved out niches of their own in the state apparatus and/or the private economy.

Thus, to term someone an oligarch is not necessarily to allege corruption. Some focus primarily on legitimate businesses and home turf, while others may at various times be initiators of corruption, victims of it, advocates of reform, or all of the above. In fact the distinctive aspects of the Philippine case noted above might check some of the worst excesses of the oligarch-and-clan syndrome. Families, particularly in the Philippines, are more durable and cohesive than patronage followings, which might inhibit the pattern seen elsewhere in which faction leaders steal as much as they can, as fast as they can, because of the insecurity of their positions and mercurial loyalties of their followers. Similarly, a prominent family head who does become a reform advocate can command considerable attention and, again, draw upon a strong supporting constituency. This has obvious relevance to the situation in which the Philippines currently finds itself.

Still, much of the major corruption in the Philippines follows the oligarch-and-clan pattern. Electoral politics, dominated more by prominent families than by parties with legitimate social bases,

⁵ There is no agreement on the exact number of oligarchs and prominent families in the Philippines, but estimates range between eighty to around two hundred fifty (Hutchcroft, 1991; McCoy, 1993a). As noted, there can be changeover in the list of families but the new names tend to behave in the same ways as the old.

can take on the bitterness and zero-sum character of factional feuds, fueling vote-buying, electoral fraud, and grassroots intimidation tactics (Sidel, 2000)—and, as tragically witnessed in the past year, violence. Prominent families have used political connections to carve out niches in the state administrative and regulatory apparatus, and to parlay such resources into virtual monopolies over some sectors of the economy (for a classic case study see McCoy, 1993b). Meanwhile, I was told by several interview subjects, citizens and small businesses suffer from ineffective government and policy implementation, and from uncertainties regarding the economic and legal climate, property rights, and (for some) personal safety. Middlemen and “fixers” abound (Amorado, 2007); while such operators may reduce some short-term transaction costs they also have an interest in preserving perceptions of government as remote and unresponsive (Khanna and Johnston, 2007), thus adding to the overall sense of insecurity. Worse yet, a seemingly helpful middleman might function more as an influence peddler or extortionist in cases where the stakes are larger (Amorado, 2007). International investors find many projects riskier than they might be elsewhere, a pattern that encourages them to keep their eye on the short term (that general tendency has been demonstrated by Keefer, 1996; Campos, Lien, and Pradhan, 1999). The domestic economic elite was described to me as “inward-looking”, hiving off hegemonic positions and rent-producing monopolies rather than developing a competitive economy. High-profile anti-corruption institutions such as the Ombudsman and the Presidential Anti-Graft Commission, I was told, are viewed by many (rightly or wrongly) as protecting the personal interests of various top politicians. Even the most scrupulous occupants of such positions have found themselves the focus of intense suspicion and distrust. For all of these and other reasons, economic development, the consolidation of democracy, and the overall well-being of society have suffered (Hutchcroft, 1991; McCoy, 1993; Wedeman, 1997; Coronel and Balgos, 1998; Hutchcroft, 1998; Moran, 1999; Kang, 2002).

In such a setting the law-enforcement, administrative improvement, and civil-society-oriented measures that dominate anti-corruption thinking in most societies will lack credibility and broad-based political support. They will thus, by themselves, accomplish little. It is not that such measures are bad ideas; instead, they are premature, because the political support they require has yet to emerge. Thus the strategies proposed here aim, via enhanced political accountability, poverty reduction, and improvements to democratic processes to strengthen citizens' capacity, incentives, and willingness to take issue with corruption, and to enhance political incentives for leaders to address those demands and expectations. In no way do I suggest that sound legislation and its enforcement, or improved administrative practices in both the public and the private sectors, are not worth pursuing. Rather, the longer-term challenge is to:

- Link reform to the provision of services that both address the immediate needs of the population and, via effective and even-handed provision, reduce distrust among citizens and in government, and ease collective-action problems (to be discussed below);
- Demonstrate that improvements are taking place, and that the scope and profitability of corruption are being reduced, by gathering and publishing indicators and benchmarks of government performance;
- Enable citizens to support leaders who succeed at such tasks, and to resist abuses of power, through political processes that are more open, structured, and competitive, and less personalized and factionalized, that work from the bottom upwards, and produce decisive results; and
- Sustain the whole virtuous cycle over time.

From demokrasya to democracy

Such changes will be difficult not least because corrupt segments of the oligarchy have a stake in the *status quo*. But broader forces and processes are challenging too. Electoral competition has not checked corruption—a problem found in other democracies, such as India, where democracy contends with pervasive poverty (Sun and Johnston, 2010). Great hopes often accompany the election of a new president, and Senators frequently portray themselves as agents of change; yet even the late President Corazon Aquino, who rose to power on a wave of mass resentment of abuses (including but by no means limited to corruption) during the Marcos era, could not fundamentally alter the situation. Democratic institutions and processes were restored, but corruption was not checked; indeed it would be more accurate to say that Marcos-era dealings favoring some oligarchs gave way to new schemes, or the resumption of older ones, favoring other families and factions (McCoy, 1993b).⁶ Electoral politics has historically been plagued by vote-buying and rivalries among elite factions who fear being shut out of power. Influence has tended to run from top-down, accountability to flow upward, and political support to be bartered for short-term benefits.

Indeed, the dominant impression, to one outside observer at least, is of a state and society that may be extensively intermingled in terms of personal connections, yet all too often disconnected in terms of official duties and accountability. On a day-to-day level, particularly during election campaigns, interactions between citizens, politicians, and officials can be intense yet shaped by

⁶ It is tempting to speculate that for all but the strongest presidential personalities, the hyper-presidential pattern of politics and government, and the more general power of oligarchs, might have developed in symbiotic fashion. Presidential power, in such a scenario, would be a function of the incumbent's willingness to go along with, and/or to exploit, the status quo, rather than to challenge it in fundamental ways, and of the conditional acquiescence of competing oligarchs who hope that they or their allies might one day hold such a dominant office.

short-term, what-can-you-do-for-me expectations. At that level it is difficult to say exactly where “the state” ends and private domains begin—and thus, to say what standards of behavior and performance should apply—since personal connections and dealings are so dominant.⁷ With respect to the formal public processes of development and governance the country finds itself in an “expectations trap” in which governing elites demand relatively little of citizens, and citizens expect little from government (the idea draws upon Rose and Chin, 2001). Such dynamics not only hinder nation-building; they sustain corrupt dealings too, as officials who accomplish little are not only tolerated but effectively left free to pursue their own schemes. Families and individuals, for their part, find it easier to deal with problems via personal connections and “fixers” rather than to demand, by political or bureaucratic means, those officials to do their formal duties and those agencies to deliver services effectively.

Those ways of doing things are not just situational adaptations, but also are linked to deeper elements of political culture—in effect, to a particular kind of social contract. Many citizens’ basic understanding of ideas like *demokrasya* rest not upon the values, institutions, and processes of popular self-government, but rather upon help with personal problems. Schaffer, for example, found out in his interview of citizens in a barangay in Quezon City that many thought the Marcos presidency was a good example of *demokrasya*: during those years the intervention of officials and patrons made it easier to arrange for lenient personal treatment from banks, government offices, and others whose help was needed. That such help often required payments, and that both the payments and the help had a large long-term price, was less important than that it was available. *Demokrasya*, Schaffer argues, is linked to the idea of *kalayaan*, a compound word with its own

⁷ Thanks to Steven Rood and Frederic Schaffer for their perceptive comments on these points.

complex history, evolving out of family relationships and first attached to politics toward the end of the colonial era. The term conveys a sense both of freedom from cruel rulers (or parents) and a kind of mutual care and unity analogous to a child's experience in a close and indulgent family (Schaffer, 2009)—a notion with obvious appeal to people for whom poverty, danger, and insecurity are facts of everyday life, but not a promising model of citizenship in terms of holding officials accountable and checking their abuses of power.

No way out of it but through it

It will be said that such challenges are immensely difficult, amounting to a fundamental rewiring of politics, society, and important aspects of culture, over a span of a generation and more. Those views will be exactly right. But as in the historical examples noted earlier, the nation will be attacking corruption at a fundamental level, giving more targeted anti-corruption measures the political backing they need, and building a broader, deeper and more genuine democracy.

Improving this state of affairs amounts, in important respects, to a process of *nation building*—a thought echoed by a number of well-placed observers during my visits—and of supplanting the personal links and rewards of *demokrasya* with a more open, public and broadly accountable democracy. The scope of that challenge cannot be overstated: in the United Kingdom the emergence of genuine democracy took three centuries, while in the United States it took two. Moreover, both of those societies had a key advantage: they became nations, in the sense of developing a strong shared identity and a sense of common destiny, before or as they implemented key democratic procedures. The Philippines, by contrast, became a democracy in a procedural sense before it had really become a nation, and did so with great speed. Moreover, its state has not shown an ability to create an environment favorable

to development (Banlaoi, 2004). It has not had the long time spans enjoyed by some other nations as they evolved and experimented with democracy, and it has been far more exposed to international pressures and influences, for good and for ill, than of those nations at comparable stages. A strong sense of a common stake in the country, its economy, and its government is still emerging. Trust is weak (often, justifiably so) in many sectors, both within society at large and between citizens and their leaders. Many must still be persuaded that most political and economic leaders actively pursue a vision of the common good.

Broad-based, sustained economic development is also a must, as several perceptive observers pointed out, and is of course no small challenge. Where people face day-to-day challenges of survival, where they lack financial and human capital, and where they lack real economic (as well as political) alternatives, immediate material needs will dominate all activities both public and private, votes will continue to be bought and sold, and accountability will *de facto* consist of citizens' felt obligations to anyone who provides a bit of short-term help. Similarly, scarce resources make it difficult to pay officials a living wage, to put necessarily monitoring and enforcement capabilities in place within government and the broader economy, and to channel new funding to sectors of government that show signs of improved governance. Where economic development has gathered sustained momentum it not only generates new opportunities for citizens and resources for enlightened leaders; at a deeper level, it signals the presence of a range of important institutions and guarantees such as credible civil and property rights; sound judicial and banking systems; scrutiny of economic dealings by institutions both public (e.g. regulatory bodies) and private (e.g. bond and equity markets) effective enough to guarantee fundamental fairness and to check fraud; and usually, a range of private trade and professional organizations that impose standards of fair dealing through sanctions of their own (Sun and Johnston, 2010).

It would not be accurate to say that economic growth by itself checks corruption. Examples abound in which rapid expansion—Russia in the mid-to-late 1990s (Freeland, 2000; Brzezinski, 2001); the United States during the rapid accumulation of personal fortunes that marked the 19th century “Gilded Age” preceding the Reform Age mentioned previously (Summers, 1993)—or inflows of capital that overwhelm existing institutions, as in any number of oil- and drug-based economies (Leite and Weidmann, 1999; Papyrakis and Gerlagh, 2004; Dietz, Neumayer, and de Soysa, 2007; Humphreys, Sachs, and Stiglitz, 2007)—have pushed societies into “corruption overdrive”. In fact, rapid growth in economic stakes, where the sorts of institutions noted above are weak, is a hallmark of oligarch-and-clan corruption. But where growth and anti-corruption policies both help build strong institutions—and particularly, where poverty has given way to a higher standard of living—reform can become integral to national development and mass expectations of better times to come. Singapore and Hong Kong are examples, on the city-state scale (Quah, 2003; Chan, 2005), as is Botswana at the small-state level (Holm, 2000); South Korea (where corruption control is still very much a work in progress, but shows encouraging signs) (Kang, 2002; Quah, 2003) and Chile (Rehren, 2004) are examples on a larger scale.

These social, institutional, and economic transformations—which, it must be emphasized, are the foundations for trust-building and good governance rather than the culmination of anti-corruption efforts—are a tall enough order in their own right. But more immediate action must be taken against corruption itself, and to improve anti-corruption approaches now in place, if we are to earn credibility for even the most basic ideas of reform. The new administration may proclaim corruption control to be a top priority, but Filipinos have heard all of that before. What can a new President do to demonstrate that this time, things can be different?

III. An Agenda for the New President

Controlling corruption in the Philippines over the long term will engage diverse constituencies, motivated by the defense of their own interests, in a process of redefining accountability, and of redrawing the limits around acceptable uses and connections between wealth and power. Those settlements will be political and economic as well as legal and bureaucratic and, as in other societies where corruption has been brought under control, they will win broad support *because they work*.

At the same time, however, national leadership has a special role to play. Focused and credible action against corruption, followed up by clear evidence of beneficial effects, can persuade constituencies both domestic and international—not only those seeking reform, but also those with a stake in the current ways of doing things—that positive changes are underway in the Philippines. Moreover, early and effective action can increase the political feasibility of longer-term measures, opening the door to new ideas and reducing opposition to older ones.

What not to do

Let us begin with some propositions about what a new President's anti-corruption agenda should not be. First, waiting for an anti-corruption "champion" to do the heavy lifting may well turn out to be self-defeating. Even if a new leader were to suppress corruption by sheer force of personality, the hyper-presidential political system would remain just as vulnerable to abuses by succeeding presidents and their cronies. The more fundamental challenge at the level of the political system that brings leaders to the fore: there, the nation needs political processes in which power is won, used, and handed on in accountable ways, and (a lesson it took American urban reformers many years to learn) in which voting the scoundrels out does not necessarily mean voting a new set of scoundrels in.

Second, most people hold a highly personalized view of corruption—not an inaccurate view, given the central roles of oligarchs and other prominent figures. But the most popular anti-corruption remedy suggested by that view—“frying a big fish”—is also unlikely, by itself, to produce lasting reform. Throwing a few corruption kingpins into jail might open the door to more sustainable reforms by serving as proof of top-level commitment. Precedent makes it clear that doing nothing about such figures quickly arouses suspicion. But without accompanying systemic changes any deterrent effects are likely to be short-lived and may lead to better-concealed corruption rather than to less of it. Further, a fish fry will not make citizens any more able to demand and reward accountable government, nor to resist abuses that threaten their interests and divide their political strength. There is also a risk that high-profile trials and convictions may be seen by many as just another round in the long-term contention among powerful families and factions. If a new administration can fry some big fish, more power to it, but beyond the clear value of punishing specific wrongdoers such an approach should be seen as a way to open the door for more basic reforms, not as a solution to the corruption problem in its own right.

Finally, it is equally important not to gear up to fight the last war. A focus on preventing sequels to major scandals that have already occurred—“what can we do about cases like the so-and-so affair”—rather than looking at chronic systemic problems, is not promising. Obviously, institutional and procedural vulnerabilities revealed by such cases need to be addressed. Some continuing corrupt processes—notably, in electoral processes, as well as abuses in Customs agencies and publicworks—need attention too. But headline-making top-level scandals often have unique elements, and corruption as a general problem can change and adapt more rapidly than we often imagine. The clandestine nature of most corruption compounds that logic: even if measures are in place to prevent a recurrence of The Great X Scandal, we may not know

where to look for it or even be aware it is being repeated until the next major scandal comes to the surface. In a later section I will suggest that the creative interpretation of government performance indicators can tell us much more about vulnerabilities to corruption, even if they do not hint at all of the details that make some past scandals notable.

Early initiatives

Early initiatives should be aimed both at corruption itself and at perceptions, both domestic and international. I suggest a few ideas here that would represent constructive, visible commitments on the part of a new administration. These proposals will not, by themselves, end corruption, even though they are worthwhile reform ideas. They are intended instead to demonstrate top-level commitment and a willingness to shake up the *status quo*. Most amount to targets by which efforts can be judged after a year or two; all are only the opening moves of a long and demanding struggle.

An early action agenda for a new President might include the following:

- Relentlessly frame corruption control in terms of fighting poverty and improving the quality of life for citizens; then (as suggested below), gather and publish evidence of performance on a regular basis.

This suggestion emphasizes essential connections that must be made between reform and citizens' own interests. Over time, the effective and fair allocation of resources can ease distrust among citizens, and in government, and help minimize collective action problems (more on these considerations below). Presidential initiatives can launch both elements of this suggestion; in that connection it is

important to remember that both also line up with some of the most important appeals and commitments of the Aquino presidential campaign.

- Consolidate anti-corruption responsibilities now scattered among the Ombudsman, PAGC, blue-ribbon bodies, and others:
 - The consolidated agency should be the clear intake/citizen focus point for investigatory and prosecutorial processes.
 - The consolidated anti-corruption office should have arrest and subpoena powers, and should either possess the power to prosecute or be able to compel prosecution of cases upon appeal to the President.
 - The consolidated agency should minimize its involvement in donor-driven anti-corruption projects.
 - The consolidated agency must have sufficient staff and resources to follow up complaints effectively, guaranteeing security and confidentiality for citizens.

At present anti-corruption projects proliferate while responsibility for corruption control is divided among several agencies. As a result the projects have little public credibility: even though most are probably worthwhile efforts in themselves, citizens do not have a clear picture of what is being done and any progress becomes difficult to publicize above the “noise”. Meanwhile, agencies such as the Ombudsman, PAGC, and the *Sandiganbayan* are regarded as ineffective or as underperforming. Where projects and agencies work at cross-purposes resources and opportunities can be wasted, efforts may overlap and contradict each other, and there are real risks, after a time, of “project fatigue”. The Hong Kong and Singapore approaches, by contrast, show

the value of a single unified reform leadership, coordinated and consistent anti-corruption strategies, and a clear focus for citizen activity and corruption complaints. Further, where proliferating anti-corruption projects reflect only the interests and views of external donors—or, where they are perceived as doing so—they may miss the mark in terms of social realities and popular expectations. At an extreme, reform itself may seem to be a smokescreen for external intervention in the life of people and the nation. As noted earlier, changes at this level will require legislation, at a minimum, and constitutional changes too if the Office of the Ombudsman is to be replaced by the new consolidated agency. In those connections, it may be necessary to reassure legislators that the results of such changes will complement and enhance, not pre-empt, their own oversight and investigatory functions.

- Recruit an Eminent Persons Group (EPG) from many segments of society to advise on and oversee evaluation of reforms, report to the public, and to appoint/remove the head of the consolidated anti-corruption agency.

An oversight body made of up well-known, prestigious individuals—and as far as possible, made up of people of clear independence and integrity—can serve as an important guarantor for a new President's anti-corruption efforts. If empowered to appoint and remove the head of the new consolidated anti-corruption authority, that agency made be freed from many of the suspicions and negative perceptions that have plagued officials such as the Ombudsman. Maintaining that positive image will be a challenge over time, however, but if the new agency and its head enjoy the support of an EPG which has the power to remove the head, that can be a powerful continuing endorsement. In a sense the EPG can exercise oversight of sorts of the new President too, at least with respect to continuing anti-corruption

commitments. The EPG could review and comment upon anti-corruption audits, annual reports from the President and the new anti-corruption agency, and others, interpreting them for the citizens at large and evaluating the credibility of such reports, much as international observers in some societies evaluate the quality of election processes. The EPG would not be the nation's chief anti-corruption crusaders, but rather would play the role of guarantor, honest broker, and trust-builder.

- Speed up the Sandiganbayan, in part by restricting its case load to large or particularly high-profile cases, but also through full staffing and resources.

The *Sandiganbayan* fares moderately well in Social Weather Stations (SWS) Transparent Accountable Governance (TAG) evaluations of anti-corruption commitment, but it has been chronically short of staff and resources while saddled with a very heavy caseload. The resulting delays in handling cases, often in the range of seven years or more, seriously undermines the credibility of anti-corruption efforts generally, and of the *Sandiganbayan* specifically. By providing a major influx of funds, aggressively recruiting and training a sufficiently large, high-quality staff, and adjusting case parameters to restrict the caseload to major cases or cases posing important anti-corruption policy and law-enforcement issues, a new administration can make the court a far more credible anti-corruption force. This is not necessarily the same thing as frying big fish: a *Sandiganbayan* that expeditiously deals with a collusive ring of middle-level figures, or attacks a pervasive corrupt practice like vote-buying at many levels—and, where justified, produces convictions—will accomplish much more in terms of deterrence and public credibility than will a few sensational “big fish” convictions followed by a return to inaction-as-usual.

- Establish a Citizen Advocate within each Cabinet-level Public Service Department.

Citizen Advocates can help people demand accountability and gain redress of grievances within the major public service departments of government—that is, those that deal directly with citizens on a regular basis and those charged with delivering services. The Advocates should be given significant staffing and funding, and be granted powers to maintain the anonymity of citizens filing complaints about the ways the agencies have acted. Where such complaints involve apparent corruption the Advocates would be required to report cases to the new anti-corruption agency, and guaranteed access to information about how such cases have been handled so that they can report back to the complainants. The Citizen Advocates should file public reports on an annual basis evaluating the quality of services within their respective agencies, summarizing the flow of citizen complaints, and recommending improvements within their agencies.

- Choose one or two sectors *with direct impact on the quality of life*—such as the Department of Education and BIR or other taxation bodies—in order to:
 - Regularly gather *and publish* data on performance, such as the time and number of steps required for regular administrative functions.
 - Regularly gather *and publish* data on the quality and costs of services.
 - Compare the data above to appropriate benchmarks, again publishing results; make clear that the results data receive top-level review.

- Conduct and publish regular top-down performance-and-integrity reviews of those sectors; involve citizens and NGOs in those reviews.
- Publicly cite and reward officials responsible for improved performance; require unsuccessful officials to account for results.
- Allocate resources to reward agencies and jurisdictions showing improvement.
- Over time, expand such assessments to include other sectors
Responsibility for gathering and reporting data should be vested, by presidential mandate, in the relevant executive-branch agencies themselves, with reports being made on a regular schedule to the President and to the Eminent Persons Group, the latter serving as a guarantor of the integrity of the process. Cooperation with citizen groups, many of which are already gathering useful data and which can aid in the interpretation of results, should be an integral part of the mandate. This data-and-benchmark process is discussed in more detail in the next section of the memo; for now it is enough to point out that these processes offer citizens the opportunity to evaluate how well services are being provided, targets are being met, and improvements are being implemented—a critical aspect of building the new kind of accountability emphasized elsewhere in this report. Further, data and benchmarks allow us to locate and estimate the scale of specific vulnerabilities to corruption and, where improvements are being made, to send out important signals that the scope for and profitability of corruption are being reduced. While data-gathering, benchmarking, and publication of results on the scales proposed are no small undertaking, they offer a new administration the chance to

demonstrate its successes and to reward effective leaders and managers at all levels of government.

Key areas for the indicators and benchmarks would be those in which government interacts directly with citizens, providing an important service in which all share an interest, and in which services can be provided in a non-zero-sum manner. Education is one such area; taxation might be another. My conversations with a variety of individuals showed that a variety of benchmarking activities are already underway. In some cases NGOs are gathering data on education and procurement, for example; in other instances, such as the Department of Education, a variety of types of data are likely to be available already. A key challenge will be to win the compliance and support of agency-level managers; emphasis should be upon tracking a given agency's or program's performance over time, and on rewarding improvement, *not* on competitive ranking or publishing any sort of new "corruption index" (after all, trends in corruption are far from the only influence on performance). In all likelihood third parties will insist on interpreting data in those ways, however, so a variety of resources and positive publicity should be made available to cooperating agencies and managers as a counterbalancing incentive.

- Conduct and publish repeated lifestyle-and-asset disclosures for top-level officials.

These assessments should be conducted before an individual takes office—elective and appointive—at regular intervals during tenure of office, and at the point the individual leaves public service or moves to another public position. While disclosures should not be so onerous as to drive good people out of public service, they should also be sufficiently rigorous and detailed to provide meaningful information to the press

and the public. The new administration, should it follow this recommendation, should do all it can to persuade individuals subject to disclosure requirements that the procedure can be an opportunity for them to demonstrate their integrity, not just an intrusion upon their private affairs or a paralyzing threat of legal problems.

- End lump-sum budgeting; sharply reduce or eliminate presidential discretionary funds.

At present large sums of public money are spent with relatively little transparency or accountability, and in a setting where mechanisms that can demand and reward efficient performance are weak or lacking. Particularly in Public Works, a budgetary process that is defined in terms of specific projects and appropriations, and provides regular reports on progress, spending, and quality of performance would be of particular benefit. Such a process would be a major source of useful data and benchmarks in its own right, both as regards corruption and the more general ability of government to attain its stated goals. It would also provide private contractors an opportunity to distinguish themselves in the public eye in terms of quality of performance.

- Support reform-minded bureaucrats with bonuses, recognition, whistleblower protections, and promotions. Such changes may well require new legislation or amendments to existing laws; ideally, those changes could be part of a broad-based review of compensation and incentive systems in the public sector, though such an ambitious process would face obvious difficulties and objections. Help those who are committed to resisting corruption build mutual-support networks, and give them prominent public recognition for their contributions. When corrupt officials are dismissed, roll their salaries over into higher pay for those who remain. It may be possible to separate the truly-reform minded

from those who simply give lip service to the idea by closely examining the indicators and benchmarks described above for positive changes, or by issuing incentive-linked challenges keyed to those indicators, and then observing which officials and working groups step forward and act. For example, tax collectors who come closer to revenue targets while reducing irregularities could be given raises, bonuses, professional recognition, and/or positive publicity.

Several persons with whom I met emphasized that significant numbers of bureaucrats want to oppose corruption, and want to escape the public's perceptions that all or most of them are corrupt. Those anti-corruption members of the bureaucracy would benefit from encouragement, protection, favorable publicity, and publicly-visible increases in pay and status; they should also be encouraged to file reports of corruption as appropriate, to aid in the compilation of performance indicators and benchmarks, and to support each other through organizations and informal networks. Many of those kinds of rewards are intangible, and in most respects cost-free, yet are valued by recipients and others. With respect to tangible incentives and compensation, if corrupt officials are dismissed and their salary funds rolled over into higher pay for those who serve well, several important kinds of signals can be sent to bureaucrats and citizens, at relatively modest cost.

Initiatives for the longer term

Longer-term reforms should also have priority status. By "longer term" I do not mean that these actions should wait until some distant date, but rather that their effects are likely to be seen in the longer term. Most, in fact, can be launched on a trial basis and then developed in parallel to the data-gathering timeline proposed above. In no particular order, then:

- Launch, sustain, and refine an anti-corruption curriculum in the schools.

Hong Kong's long-term anti-corruption education efforts are well known and have paid major dividends in terms of public resistance to corruption and willingness to file reports (Chan, 2005). The key is starting early in the schooling process, weaving anti-corruption themes—cultural as well as official and civic—through multiple aspects of the curriculum, and then sustaining the effort both throughout a student's schooling and for subsequent waves of students. To be sure, the Philippines is a far larger and more complex society than Hong Kong, and education in a democracy serves a wider range of purposes and agendas; for guidance it might well be worth watching similar efforts now underway in a variety of societies (Transparency International, 2004; Transparency International, 2010).

- Elect Senators by districts

The hope here is that Senators elected by districts might not have to spend as much, legitimately and otherwise, on campaigns, and that they would have incentives to oversee government performance and the provision of services in their districts. Senators with specific geographical responsibilities would also be less tolerant of lump-sum budgeting (see the presidential agenda, above), and more insistent on specific public works agendas and targets for their districts. District election of Senators might well strengthen the hand of some regionally-based oligarchs, but the hope is that the Senators they influence would have to negotiate with, and could be checked by, other Senators with differing geographical bases, and would find it more difficult and less politically advantageous to quickly set themselves up as national-level political operators.

- Enhance the professionalism, political independence, and credibility of the judiciary, emphasizing protection of human rights, and property rights

An independent judiciary can be essential to corruption control, and in particular to the reliable and credible imposition of criminal laws and penalties. Independence must be balanced by overall responsibility and accountability to the Constitution, however: India is an example of a democracy with an independent but less-than-responsible judiciary, with the result that judicial politics and decision making can become another arena for corrupt influence—an arena, ironically, lying beyond the legitimate reach of elected officials.

- Simplify the tax code, creating broad but progressive “bands” of taxation that feature few exemptions, low rates, and uniform treatment of taxpayers, in order to reduce the discretion of tax collectors/assessors

I do not claim to know much about taxation in the Philippines, and in fact it may well be that recent changes exempting many ordinary citizens from some filing procedures have been a move in this direction. The point here, however, is to make the taxation system visibly more fair and tamper-evident, and to reduce the discretion that corrupt agents might use to put pressure on citizens and businesses. Broader accountability is important in this connection, too, and a President who uses an indicators-and-benchmarks strategy for taxation⁸—emphasizing the fairness and consistency of the process, and highlighting areas of excessive variation and discretion—will be sending important messages to the BIR, business, and citizens alike.

⁸ Some promising initiatives may already be underway in the Department of Finance.

- Refocus political finance policy to encourage bottom-up participation and well-structured competition among parties with broad and legitimate social bases:
 - Generous and creative matching formulae for small contributions to parties, rather than to candidates
 - Protection, including anonymity if desired, for citizens making small donations.
 - Provision of funds to parties that demonstrate a genuine social base by obtaining large numbers of small contributions in several sections of the country.
 - Free television and radio time *on commercial as well as on state-owned broadcast channels* for parties and candidates demonstrating a broad and genuine social base.

Here the key idea is to use political finance rules and resources not so much to police the flow of funds or to drive money out of electoral politics, but rather to encourage broad-based, open, and competitive politics in which candidates have reasons to speak for genuine social constituencies and resources are available to bring a variety of such voices into the electoral arena (for a more detailed development of that argument see Johnston, 2005b). Those sorts of long-term developments will add political force and vitality to virtually every proposal in this memo. Resource constraints will be an important challenge, in this connection, as will confidence in the ways votes are cast, counted, and proclaimed (in which the automation of the 2010 election was a good sign). It will also be important to devise and publicize rules and procedures in ways that emphasize their fairness and transparency; here is one area in which some key arrests and trials of possible abusers may go a long way toward building confidence in the new system.

The bigger picture

As suggested earlier, sustained corruption control can be thought of in terms of nation-building—bringing state and society closer together, fostering trust and broader loyalties, persuading citizens that they can act safely and effectively to resist abuses and reward effective government, and showing leaders that citizens are willing and able to do so. In effect the process amounts to closing the circle of the political processes that should link citizens and leaders now, but often do not do so effectively.

The suggestions above will not be easy to implement, but they can pay off in terms of improved credibility and broader support for a new administration's anti-corruption efforts. Many will incur resentment and resistance within government. Top-level commitment, the mobilization of public opinion, and the judicious use of real incentives (not all of which need be monetary, by any means) will be critical here, on a continuing basis.

What comes next, then? Most of the specific corruption-fighting measures that would need to follow are familiar ones, and have to do with sound management and enhanced accountability. The difference is that with the above list of measures in place, the effects of those anti-corruption controls (or their lack of effects) will be verifiable and widely known. They will have clear-cut support within government and society. Effective administrators and elected officials will stand to benefit from success—with the latter, in particular, occupying positions made more politically secure by their popularity and demonstrated effectiveness—and citizens will be able to see clearer linkages between reform and the quality of their own lives. Good initiatives will be less likely to wither for lack of support, and reform will be understood in terms of improvements in the quality of daily life, not as an abstract public good.

IV. Collective Action and the Social Foundations of Reform

The grand scenarios sketched out above, and popular support for the more specific measures proposed, require accountability backed up by political incentives—that is, a citizenry that demands officials use public power and resources honestly and effectively, and officials who see good reasons to take such demands seriously. But while an analyst might see it as being in people’s interests to actively resist corruption, that does not mean they will do so. Some of the reasons for that are situational: the risks people perceive in such endeavors, the efficacy they do or do not attach to their own political activities and choices, and the trust they do or do not place in specific leaders, will all influence their willingness to demand and reward better government. But there are generic difficulties in mobilizing the public behind reform as well, two of which are particularly critical: building social trust, and overcoming *collective action problems* (Rothstein, 2000; Uslander, 2004; Teorell, 2007).

If people do not trust each other, their leaders, or their institutions, they are unlikely to act against corruption through the political system. They may rebel, with unpredictable consequences, or—more likely—they may adapt to the realities of the system by seeking out the sorts of “fixers” and personal connections described earlier. A third alternative is that they may respond to corruption with corruption of their own (an imaginative discussion of the calculations shaping popular responses to corruption appears in Alam, 1995).

Genuine trust must be earned, not proclaimed nor commanded. Perhaps the most promising approach, in terms of policy, is to think of ways to reduce distrust—not precisely the same thing as positive values of trust, but a step in that direction. The personal conduct of leaders is important in that regard, as are ideas proposed

above such as regular and widely-published lifestyle-and-asset disclosures. But another promising approach is to emphasize the effective and fair provision of services and facilities in which broad segments of the population have an interest. Schools, fairer tax administration, better streets and roads, and health care are examples. Improved services in those areas, difficult as those challenges are, would not only be a good thing in itself. For citizens who see government as remote, uncaring, ineffective, and riddled with favoritism, and for those who see themselves in competition with their neighbors for basic public provision, improved performance can be a trust-building, or distrust-reducing, strategy over the middle to long term (here, perhaps, it is fortunate that Philippine presidents have six-year terms). How precisely to improve such public provision is an issue that lies well beyond the scope of this working paper, but for now I will emphasize the importance of services and facilities that are *seen to be* provided in effective, even-handed ways. Demonstrating such performance is one purpose of the indicators-and-benchmarks proposal that is outlined in the previous section and discussed in somewhat more detail in this one.

Collective action problems—the non-participation or “free-rider” phenomena so familiar to reformers and organization theorists alike—are a major concern here. Collective action problems exist on at least two levels. On the first, and more familiar, level, corruption control is hard work and can be risky. It may involve foregoing corrupt benefits to which citizens have become accustomed—even if they are petty and are given for reasons of control rather than of real assistance, they may be of immediate value—for the sake of long-term, widely shared improvements. But there is a second-order collective action problem too (Rothstein, 2000; Teorell, 2007). Particularly where poverty is intense, individual involvement is unlikely—indeed, from a certain viewpoint is irrational—unless people trust others not to cheat. An individual might well ask why he or she should do the heavy

lifting, and give up any current benefits on offer from local patrons, if it seems unlikely that the neighbors (whatever they may say publicly) will join in. These collective action problems are stubborn: both specific reforms, and building the more general institutional and political framework they need in order to succeed, are difficult activities vulnerable to the risk of defection. So long as we persist in justifying reform in terms of civic virtue and public goods, most citizens will let others do the heavy lifting and trust will remain weak. A necessary, if not sufficient, step in attacking those problems is to demonstrate that reform is actually happening, and that people have an immediate stake in its continued success.

Making reform real: indicators and benchmarks

The indicators-and-benchmarks activities sketched out above are intended to address both trust and collective action problems.

The first connection to those problems—a direct extension of the first item in the presidential agenda proposed above—is to *emphasize that corruption control efforts are not just aimed at abstract civic values and at providing public goods, but rather are directly linked to the tangible interests and improved well-being of citizens*. Prime target sectors might be education and taxation; housing, road-building and transportation, and public utilities all might provide useful data and benchmarks.

The second connection is to *demonstrate the progress and reality of corruption control*. International corruption indices will not register improvements, nor will they signal a lack of progress, in any reliable way. Citizens with a stake in improvements, and with some credibility among their neighbors, will make far better judges. Involvement in such assessments over time can also be a trust-building process. Regular, detailed, and believable assessments of government performance can also demonstrate that the scope for, and likely profitability of, many forms of corruption are

gradually being squeezed out of the system: a city that is now paying close to a market price for basic commodities like fuel and concrete, rather than spending thirty percent too much as in years past, is one in which bribery and kickbacks in procurement are likely to be less common, less profitable, and harder to conceal (a more detailed version of the indicators-and-benchmarks idea appears in Johnston, 2010).

The indicators and benchmarks strategy outlined above is a way to assess vulnerabilities to corruption at a detailed level, to verify progress (or lack of it) in addressing such problems, and to bring a variety of anti-corruption forces together into a more powerful whole. Essentially, the idea is to monitor vulnerabilities to corruption by regularly gathering and publishing data on the performance of specific programs and agencies, with those results benchmarked against similar indicator from comparable bodies and jurisdictions. Those indicators—measuring, for example, the time, cost, number of steps, and ultimate quality of performance of government agencies are linked to corruption in two critical ways: first, they reflect the effects of past corruption, among other influences, and second they can tell us much about the incentives currently sustaining corruption.

Consider the process of getting a building permit in two cities: if doing so takes seven weeks and requires 35 steps in City A, while taking only four days and five steps in City B, it is not unreasonable to believe that City A's process involves more corruption, even though we cannot measure it directly. Past corrupt incentives have likely shown officials that they can make money by contriving new requirements, bureaucratic steps, and delays; as for current incentives, each step is potentially a "toll gate" where bribes must be paid, and time lost is a real expense making it more tempting to pay up. Similarly, if school lunches or water in one area cost three times as much as elsewhere, or if roads and public buildings announced or launched are not finished (or are built in substandard

ways), something again is amiss—or, at least, responsible agencies must be asked to account for ways in which local considerations might affect observed differences. Benchmarking such indicators—comparing them to similar agencies or governments across a wider area—can both flag the outliers, demonstrate improvements, and give officials the opportunity or obligation to account for large differences. Demonstrable improvement is not only a good thing in itself; it also gives successful officials a chance to claim credit and makes citizens more able to support effective leaders while opposing or punishing the ineffective.

A further benefit of indicators and benchmarks has already been hinted at above. If an agency that had been paying 30 per cent over market for diesel fuel is now paying, say, 5 per cent over market, it is a reasonable guess that there is now less money to be made via corruption in that particular area. Such improvements sustained over time and across many agencies and units of government would strongly suggest that *the scope for, and profitability of, corruption are being squeezed out of the system*. Draining the incentives out of corruption is, at the least, an essential counterpart to investigations and prosecutions, and over the longer term may be even more effective. From an analytical standpoint we will never know exactly how much of any improvement is attributable to reduced corruption versus other sorts of governance improvements, such as technological innovation or increased efficiency in the use of resources. But from a reform standpoint, we may not particularly care: governance and services are being improved and scarce resources are going to better use. Such indicators may also help the country break out of its “perception trap”, in which sincere anti-corruption efforts do not move the needle on existing perception-based indices.

Indicators and benchmarks can take many forms. Public Expenditure Tracking Surveys (PETS) have been used effectively in Latin America, for example, to improve education services and

counteract problems ranging from theft of funds and supplies to systematic absenteeism (Equip2, 2005). Citizens can play integral roles too—not only through groups such as Road Watch but also through schemes emulating successful “social audit” and “citizen report card” processes in India (Paul, 2002; Apaza and Johnston, 2009) and Pakistan (UNDP, 2010), in which assemblies of citizens evaluate services and consult with officials on problems and improvements. Another option is “participatory budgeting” of the sort that has been reasonably successful in Brazil and Argentina. In Porto Alegre, Brazil, for example, citizens take part in annual meetings that evaluate the performance of public-service agencies, and then set targets and allocate funds amounting to over forty per cent of the local government budget (Apaza and Johnston, 2009).

Leadership

Any indicator-and-benchmark process will require sustained top-level backing, the judicious distribution of incentives, and continuing publicity. Agency heads may well resist providing indicators and participating in benchmarking, and will be tempted to “game” any data they do supply (Hood, 2006). Lower-level functionaries and their labor organizations may see such assessments as threats to their jobs (as in some respects they could well be). Assessments of government performance will work best in an incentive-rich environment where cooperation and improved performance can be rewarded with budgetary and staffing resources; both will be problems in the Philippines, but perhaps can be applied in selective and targeted ways as demonstration projects. It is worth emphasizing, though, that such assessment processes can offer positive incentives to elected officials and bureaucrats alike: they allow the successful to take credit and gain status, as noted, and can provide a great sense of professional and personal satisfaction to the extent that they show public service does improve Philippine society. For agency managers in

particular the process may, over time, reduce incentives for political meddling or colonization of agencies and functions by various elite factions (positive and negative aspects of performance assessments are discussed in more detail in Johnston, 2010).

As noted above, data-gathering efforts similar to that proposed above are already underway in a variety of locations and service sectors in the Philippines. The Philippine Public Transparency Reporting Project,⁹ for example, conducts a Bridges and Road Watch project that monitors the extent and quality of road-building in rural areas. Procurement Watch Inc. gathers data on education services and other public service functions; its role in pushing for the enactment of procurement reform legislation is outlined by Pimentel (2005). One of the most promising data-gathering initiative is the Performance Governance System (PGS), launched in 2004 by the Institute for Solidarity in Asia in conjunction with the Center for International Private Enterprise in Washington, DC. PGS involves community consultative processes, through which performance goals are defined and a locally-appropriate “scorecard” is agreed upon, as well as data-gathering. While the process is typically initiated in a community with ISA support and advice the goal is to have PGS become integral to routine local governance, and to be supported by local support and “ownership” (more details appear in Morrell, 2010). While these and other similar data-gathering processes are not aimed at presenting comprehensive assessments of corruption vulnerabilities over time, the principle of gathering government performance data for public analysis, discussion, and subsequent reform efforts has gained considerable standing in recent years.

⁹ Online at http://www.transparencyreporting.net/index.php?option=com_content&view=article&id=70:road-and-bridge-watch&catid=53&Itemid=77 (Viewed 22 June 2010).

V. Looking Forward: A Corruption-Resistant Society

Many questions remain, only a few of which can be addressed here. Even the most optimistic scenarios for implementation of the strategy spelled out in this paper must respect the law of unintended consequences, and acknowledge that later-stage measures will be put into effect in environments that might differ considerably from what we know today. But let us address two obvious issues.

Why would these ideas succeed where others have not?

It is not as though corruption in the Philippines has gone unnoticed until now. Even more than many of its neighbors, the nation—for better and worse—has been the focus of active and well-funded efforts to fight corruption, build up civil society, enhance transparency, and uphold the rule of law, to name but a few efforts. If anything there have been too many anti-corruption projects, or at least the coordination among them and the systematic evaluation of longer-term results has been insufficient.

The short answer to this question is, of course, that there is no guarantee of success. There is not even a defensible way to assess probabilities. But perhaps perversely, the hopes for this strategy flow from its very complexity and difficulty. It is not an anti-corruption project, or set of projects. It is not intended to attack corruption as a problem separable from the setting in which it occurs. Instead, it envisions a long-term and comprehensive effort to attack causes—notably, the weakness of institutions—rather than symptoms (corrupt activities themselves), and to enhance the corruption-resisting potential of society by engaging real and lasting interests. That, at least, is what makes this approach distinctive. It also encourages people to take a new look at things they are doing already, and to see the reform potential in long-term combinations of development and democratization activities

that already enjoy considerable support. A final distinctive factor is the potential value of the indicators-and-benchmarks strategy for demonstrating progress, or lack of it, to citizens and international observers alike. At present we have no way of systematically assessing the actual progress of reforms—tactical or strategic—at present. Addressing fundamental causes of corruption, honestly showing the effects of our efforts, and staying with the strategy for the long term offer no guarantees of success, but it is hard to see how embedded, persistent corruption can be reduced without such measures.

Why would corrupt Oligarchs tolerate these activities?

Once again, we have a simple answer: it may well be that they will not. Indicators and benchmarks, accountable and politically secure national leaders, and an attentive citizenry and press, however, may make it harder for Oligarchs to act with impunity. In effect such developments can make the system somewhat more tamper-evident, in the process providing anti-corruption and law-enforcement forces with clearer cues as to where to look and act. In the long run, a less corrupt society may even have some benefits for the current bad actors. To the extent that lasting reform will aid economic growth—a complicated issue in its own right—today’s corrupt oligarchs may find it easier and far less risky to make money in a buoyant economy by honest means. The same may hold true for their wish to hold power: it is not out of the question that elections and governing could become less risky, less fraught with rivalries, and less violent, than in recent decades. And, while I have suggested that anti-corruption champions by themselves are not a sufficient basis for lasting reform, the time could come when it will be more tempting for once-corrupt oligarchs to get out in front and lead, rather than to resist or hide. Just as organized crime figures and organizations seek to go legitimate over time, and in the process to trade violence and legal problems for a quiet life, the nation’s corrupt oligarchs might well see new opportunities

in a reforming society. The key might well be, not so much to confront those figures directly today, but to persuade them through real evidence that the reform process is real and that the train, in effect, is about to leave the station.

No magic bullets

It will be critical that any of the strategies a new administration chooses to pursue be sustained over the long run and be carried out in a transparent, open, and demonstrably fair manner. As noted above, the goals of linking reform to self-interest and to intensifying political demands for accountability and performance along the lines of those interests echoes the long-term political processes through which many of yesterday's highly corrupt societies brought the problem at least partially under control. They also echo the political processes that created *outcomes* critical to checking corruption in those societies: sound legislation, the rule of law, social sanctions against corruption, a free press, independent judiciary, and significant constituencies with a stake in their persistence and success. Such changes took centuries, or at least several generations; they were not an orderly march toward good government, but were rather marked by controversy and contention (which drove the process, after all) and by notable scandals and reversals along the way. If, however, citizens come to see reform as benefiting them in their daily lives, and see improved living conditions over time (consider Singapore's rise from poverty to affluence, admittedly in a far smaller society) the formidable energies of the Philippine people can become a steady force demanding better government.

Appendix

Indicators and benchmarks: a possible timeline¹⁰

The suggested steps below apply to two service functions—education and procurement. Procurement is not a direct citizen service activity but is a prime locus of corruption in many societies. Moreover, it fits into an indicators-and-benchmarks model particularly well.

• First six months:

Identification of indicators needed for performance assessments,
e.g.:

- identify comparable commodities (e.g. textbooks, classroom equipment; petrol, concrete, office supplies)
- prices paid for those commodities
- speed of contracting, delivery processes for routine commodities
- identify readily-comparable construction processes (e.g. school buildings)
- prices paid for labor, basic commodities
- frequency of discretionary purchasing, contracting
- quantities, quality of goods delivered
- quality of construction processes, finished projects
- delays in construction
- frequency, scope of change requests, cost overruns
- speed, accuracy of paying invoices

Identification of possible benchmarks

- public-sector: comparable agencies, jurisdictions
- private firms, markets (if appropriate?)

¹⁰ This section is based upon a similar discussion in Johnston, 2008.

Reach agreement on data-sharing among public agencies, jurisdictions

- explicitly define purposes and uses of data: *measuring, rewarding improvement*
- identify specific rewards/incentives for success (budgetary infusions, if possible; positive publicity; favorable treatment within budgeting processes)

• **Months 7-12:**

First round of data-gathering

- gather small amounts of readily-accessible data in a non-disruptive fashion
- administer first citizen/vendor/user surveys on quality of education services, facilities, and problems in procurement processes
- follow-up interviews with officials, individuals, vendors to assess survey experience
- review data-gathering process for problems, resistance, cooperation

Benchmarking: First round

- assemble shared benchmarking data
- assemble any private-market data
- calculate benchmarks by alternative statistical methods

• **End of Year One:**

FIRST ROUND OF ASSESSMENTS:

- compare performance and survey data to benchmarks
- *tentative* assessments, based on comparisons of performance data to relevant benchmarks
- search for contrasts, continuities, gaps indicating areas to monitor for future improvement as well as vulnerabilities

Selectively publicize key survey results (de-emphasize other data on indicators and benchmarks until second round, so improvements can be emphasized at that point)

Deliver highly-publicized resources, rewards, recognition to agencies, jurisdictions faring well in first round of surveys

• **Months 13-15:**

Evaluate and, as needed, revise all aspects of indicator-and benchmark methodology

• **18 months:**

SECOND ROUND OF ASSESSMENTS:

- using methodology as revised, calculate new set of benchmarks
- publish results, emphasizing improvements over time

Launch public discussion and consultation processes

• **At 24 months:**

THIRD ROUND OF ASSESSMENTS

- conduct and publish third round of indicators/benchmarks, again emphasizing areas of improvement
- public consultations: round three, trends, and entire data-and-benchmarking process
- sector assessments: integrity in education, procurement processes

Emphasize measures of outcomes:

- quality, public use of, public satisfaction with constructed projects

- quality of, satisfaction with, services strongly affected by procurement
- quality of, satisfaction with key education activities, construction

PUBLIC AND OFFICIAL CONSULTATION ON VALUE OF INDICATORS-AND-BENCHMARKS PROCESS

- emphasizing public awareness, use and misuses of data, incentives to cooperate and reduce vulnerabilities

The timeline sketched out here is a demanding one; those in charge of assessments may well find it appropriate to focus on a relatively small number of easily-compared procurement processes, among a manageable number of agencies and jurisdictions. That gradualist approach may help minimize resistance to the strategy as well. The emphasis should be on gradual implementation of a high-quality assessment process, not upon the rapid generation of “headline numbers”, and the results should focus upon self-to-self comparisons over time, *not* upon ranking of agencies or jurisdictions. At all times, consultation will be essential, both to ease implementation and head off methodological problems, and to maintain the trust among all parties that will be essential to success.

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