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Shadow economy revisited: logic, morality and intuition in corrupt practices and illegal channels

The aim of the paper

The aim of the paper is to analyze how corruption contributes to the spread of shadow economy and damages viable economic development of any country. The *unfreedoms* that are created under the conditions of illegal transactions and corrupt practices considerably limit the opportunities of individuals to develop and use their capabilities (Sen, 2000) to the full extent and make their contribution to the development of their countries' economies and sociocultural progress. The short-sighted desire to receive gain and extra revenue through illegal actions often obscures the capacity to comprehend the size and extent of the damage that such actions bring to the economic development of the country and sociocultural progress of the society in the long run. Under these conditions, the paper perceives logic (e.g. cost-benefit analysis, pragmatic calculations of profit-making, etc.), morality (i.e. ethical norms) and intuition (i.e. the intuitive decision whether to engage in illegal practices, where the estimation of the degrees of risk and confidence plays significant role) as three important human features that influence individuals', corporations' and governments' decisions whether or not to engage directly or foster indirectly the cultivation of illegal practices. Therefore, the idea that the paper is trying to support is that while analyzing the instances of corruption on any given level (individual, organizational, governmental, or cross-country), the factors of logic, moral and intuition should be all taken into consideration in order to better understand such illegal actions, systems, channels and

mechanisms and design more comprehensive fighting strategies against corruption than are offered today by numerous scholars, organizations or public bodies.

Background

The fact that corruption in various sectors (both public and private) destroys economy and hinders socioeconomic development of countries is not a novelty any longer. However, delineating what is legal and what is illegal, building viable institutions that would take on responsibility of monitoring how public and private sectors adhere to the law, and designing anti-corruption policies that would be applicable to different conditions, cultures and countries still present challenges to policymakers and officials across the world.

Increasing number of policymakers connect corruption in various sectors with weak governance, weak legal and regulatory systems, or poor economic condition. For instance, De Soto (2003) blames the absence of law (especially legal titles on property) as the major reason why corruption flourishes in developing countries and hinders economic development. According to Sen (2000), corruption can be regarded as one of the *unfreedoms* that is often created by corrupt governments and that limits individuals in developing *capabilities* and prevents organizations from building international and transnational businesses. Sachs (2006) names poor governance (i.e. plagued by corruption) as one of the reasons why poor nations cannot ‘jump on the ladder’ and develop. Zweifel (2005) names transparency and accountability (and hence, the decrease of corruption) as one of the criteria for measuring the effective operation of international organizations, while Easterly (2007) claims that international organizations don’t wish to cooperate with ‘bad governments’ (i.e. corrupt governments). Besides, one of his critiques of Sachs’ ready-made recipes on how to help the poor nations is the

lack of accountability on the part of the organizations to the wider public regarding the delivery and efficient utilization of aid. Lack of accountability in itself leads to the increase of secrecy and corruption.

Furthermore, Ryterman (in Campos and Pradhan, 2007) states that corruption is a hindrance to economic growth and points to its detrimental consequences for the poor. ‘Governance and anticorruption are now high priorities in the development agenda. Empirical research over the past decade has shown convincingly that poor governance, typically manifested by different forms of corruption, is a major deterrent to investment and economic growth and has a disproportionate impact on the poor. In-depth case studies have given form and life to these quantitative findings and have brought home the reality that corruption is indeed harmful to the individual, family, community, and society as a whole. Globally, public awareness of the detrimental impact and severity of the problem has increased markedly, as the media, policy institutes, and nongovernmental organizations worldwide have raised concerns to unprecedented levels’ (Ryterman, 2007, cited in Campos and Pradhan, 2007: xv-xvi).

The basis of corruption – informal socioeconomic and political control and manipulation with quality, rules and regulations

In order to fight corruption in different spheres and contexts, certain universal features constituting its basis should be traced and diagnosed. Considering the issue of the basis of corruption in wider political and socioeconomic context might be useful. Several suggestions could be offered in answering the posed question.

First, self-complacency of top officials might be at the basis of corruption. The principle of ‘earn and let others earn’ in order to feel secure in the closed vicious circle of ‘fellow co-thinkers’ might be at work here.

Second, it is a widely-held belief that under the conditions of scarce resources, struggle for receiving the share from bribes – as an extra income in dire economy is a common practice. Officials in government might receive shares from different public or private spheres as an extra income. In return, they offer lobbying the interests of those organizations in governmental bodies during decision-making process. Hence, lack of resources and power struggle for obtaining share from the limited resources might trigger dishonest, corrupt practices.

Third, short-sighted strategy of covering up economic catastrophe by creating conducive environment for people to engage in illegal transactions, deals and practices might be another basis for corruption. The formula of people ‘feeding each other’ through illegal channels when the government has not much to offer might be at play in this respect.

Fourth, the desire of corrupt governments to engender support in public or private sectors by turning a blind eye on the corrupt practices might be another basis of spreading corruption. A government might give liberty to businesses, companies, etc. to engage in corrupt practices in the hope of their support in giving votes during elections. Therefore, by giving them an opportunity to earn ‘a second income’ under the conditions of economic crisis and limited resources, a government actually develops a kind of mutually supporting mechanism. This fact creates a particularly conducive condition for the “trap” of corruption that the whole country might engage and hardly manage to overcome.

Fifth, corruption exists when and where there is a) a lack of public information and b) uncertainty about how an individual’s rights and interests can be protected. Under uncertain

circumstances, it is easier for the government officials to manipulate with laws, rules and regulations and give them the interpretation that gives most benefit to them. This could be another reason why the governments may not be willing to prevent corruption in the country. The shifty character of quality creates basis to manipulations and corrupt practices in different public and private spheres.

Logic, morality and intuition

The first factor that should be considered is the logic behind engaging in corrupt practices. The purely pragmatic reasons (monetary profit-making, non-monetary benefits and privileges, etc.), as well as the basis of corruption (i.e. possible explanations on why would governments, top officials or individuals in authority allow for the spread of corruption in a country), could serve as the examples of *logic* lying behind the corruption and driving shadow economy.

The presence or absence of ethical norms, moral beliefs in individuals (Browne and Milgram, 2009), as well as the realization of the importance of social responsibility by businesses, companies and organizations, and the strife for common welfare by the governments could serve possible explanatory variables for accounting and understanding individual, organizational or governmental actions and the degree of their involvement (direct or indirect) in corrupt practices, illegal transactions and informal agreements. The realization of the fact how short-term personal gains might lead to long-term overall economic and social damage could be analyzed and researched in this respect in order to better understand how human nature operates under the conditions and cases discussed throughout the paper.

Intuition on whether to engage in corrupt practice, how confident might a person or organization be in this respect, or the considerations of risk-involvement in such cases, as well as the deeply-rooted human intuitive ability of considering what is right or wrong (and that could be closely related to the moral factor discussed above) is the third aspect that should be considered while studying the cases of corruption in different contexts across countries and regions (Watson and Moran, 2005; Lambsdorff, 2002a).

Corruption cases in different spheres across the world

Campos and Pradhan (2007) present the compilation of case studies and analysis by different authors from various spheres where corruption can prosper under the conditions of weak governance, deregulation, lack of transparency, accountability, non-professionalism, etc. and destroy the economic viability of a single or group of countries. A few examples will suffice to illustrate the point.

Kishor and Damania (2007, in Campos and Pradhan, 2007: 89- 114) discuss corruption in the forestry section. ‘The scale and scope of corruption in the forest sector sets it apart from others. Forest- related corruption has been reported in countries as diverse as Cameroon and Canada. It can take numerous forms – petty bribery and extortion by forest officials, or payments to higher-level administrators for timber concessions, to inducements to sanction changes in land use, and most sinister of all, to the erosion of institutions beyond the sector and across the economy’ (Kishor and Damania (2007, in Campos and Pradhan, 2007: 89-90). Further they provide examples of corruption in the forest sector, as well as the costs and consequences of forest corruption. Following are the examples: Ministers, legislators, and other high officials

accept bribes to shape forest laws, institutions, and procedures, and award concessions to favor the bribers. Officials award timber concessions to their relatives. Forest officers, police officers, and prosecutors take bribes to ignore violations of forest laws, including laws forbidding harvests in national parks and laws protecting endangered species. ...To avoid delays in issuance of timber transit permits, landowners bribe not only the local forester but also local tax and land officials. ...In a forest-related court case, bribes fly to the court clerks, the judges, and even opposing counsel to secure a favorable and prompt verdict. Officials take bribes to allow export of illegally harvested timber. Customs agents take bribes to allow timber to enter the country without paying duties or in violation of endangered species protections. A forest officer demands that his subordinates pay him kickbacks for salary increases and promotions. A forest officer places friends and relatives on the agency payroll, even though they are “ghosts” who do no actual work. Ministers use timber receipts to fund political campaigns. Ministers siphon money off of donor-sponsored projects for personal enrichment.

Afterwards some specific examples are provided from individual countries: Canada, where violations were detected in 55 percent of areas designated for protection; Brazil, where a presidential commission concluded that fully 71 percent of the management plans in concessions did not comply with the law; The Russian Federation, where at least 20 percent of timber logged is in violation of the law; Papua New Guinea, where the majority of forestry operations cannot credibly be said to comply with national laws and regulations and are therefore unlawful. Cambodia, where only 10 percent of logging in 1997 was estimated to be legal. Cameroon, where an estimated one-third of the timber cut in 1992-93 was undeclared. ‘Not surprisingly, global comparisons of governance find that the major forest producers, that is, developing economies highly dependent on forest resources, are among the most corrupt countries in the

world' (Kishor and Damania (2007, in Campos and Pradhan, 2007: 89-90).

Kishor and Damania (2007, in Campos and Pradhan, 2007: 91-92) also present the analysis of the costs and consequences of corruption in the forest sector:

In addition to direct financial losses, other negative effects emerge from illegal logging and forest corruption.

- Violation of protected areas threatens the conservation of forest resources and biodiversity.
- As many as 60 million people living in and around the forests are heavily dependent on them for their subsistence. The well-being of these vulnerable groups is at risk from illegal logging and unauthorized removals from the forest.
- Forests are global public good and their degradation imposes global costs, such as climate change and species loss.
- Legitimate forest enterprises are subjected to unfair competition through price undercutting and are discouraged from making socially and environmentally responsible investments in the sector.
- Less visible though insidious costs result from the erosion of institutions, the spread of corruption across the economy (including speculative and other illegal activities), and lower economic growth.

The most detrimental consequence of the corruption in one sector is its spillover effect to other sectors, to government structures and public sector, that might also diffuse to other countries, and ultimately paralyze the economy of not one single country but a group of countries and even regions.

Anecdotal evidence suggests that economies of scale are probably present among illicit activities. Thus illegal logging is often accompanied by other crimes such as arms, human, and drug trafficking. Corruption contagion is probably the most significant, though least recognized, consequence of forest crime. Its impacts are transmitted through the economy, weakening

governance and the rule of law, thus impeding investment in legitimate commerce and undermining faith in the legitimacy of the government apparatus (Kishor and Damania, 2007, in Campos and Pradhan, 2007: 92-93).

McPherson and MacSearraigh (2007, in Campos and Pradhan, 2007: 191-220) analyse the corrupt practices in the petroleum sector, that often causes ‘the paradox of plenty’ in developing countries. The idea behind the paradox is that while some 32 developing countries around the world are considered petroleum rich, they experience low growth relative to their nonoil peers. ‘This counterintuitive result is referred to as the “resource curse” or “paradox of plenty”’.

Nigeria provides just one example of the paradox of plenty. Assessed against desirable developmental outcomes, the performance of this oil-rich country has been significantly below its potential and even below that of many of its non-oil Sub-Saharan African Neighbors. GDP per capita is \$400 per year, 60 percent of the population lives on less than \$2 per day, 78 out of every 1,000 infants dies at birth, 35 percent of the population under five years of age is malnourished, barely 50 percent of the adult female population is literate, and so on. ...The record is dismal, yet over the past 35 years, oil rents accruing to Nigeria have amounted to an estimated \$300 billion. Nigeria, however, is not unique. Its experience is replicated throughout African oil-producing countries and in other regions of the world where there is similar dependence on oil and gas....

The sheer scale of the oil and gas industry and its supporting infrastructure often result in natural monopolies in areas such as pipeline transport, terminaling, and port facilities. Monopoly control creates opportunities for corrupt abuse through discretionary control of access and through the setting of fees or tariffs for use.

*The cases of corruption in countries in transition: the risks of post-soviet way of building
democracies*

After the collapse of the Soviet Union there was a “redistribution of property” – perhaps one of the largest-scale in history. The transition period of the 1990s was characterized by struggles between different power groups to gain access to a portion of the redistributed property. Countries in transition are susceptible to corruption because of having unstable and under-developed legal and regulatory systems, and due to not well defined duties, rights and responsibilities of officials in different public structures. These create the conditions under which corrupt practices might flourish.

In an attempt to transform from centralized planned economy into open-market, private-type structure and utilize the ‘re-distributed’ property, the post-soviet countries tried to implement policies that were conducted by former soviet bureaucrats. Oftentimes this implied uncontrolled power abuse, illegal and corrupt practices by those in whose hands appeared the lump sum of the re-distributed wealth. Naturally, these conditions had spillover effects on almost all public or private spheres.

Unregulated social and public services, corrupt power-supply and electricity ‘business’; fraudulent-type of taxation system; corrupt schools, universities and hospitals; corrupt police, law-protecting organs and judiciary system (in fact judges and prosecutors appeared to be the most adaptable, flexible and profit-making oriented types of professions which could provide the best study material for the deciphering of logic, morality and intuition lying behind the corrupt actions and channels involved in them).

Bribery, monetary or non-monetary gifts for gaining easy access to the public good; abuse of power for personal and professional gain, informal contracts and agreements for illegal use of public premises, buildings and facilities, nepotism and favoring one's own family members, friends or relatives became widely-spread practices that plagued post-soviet territory during those years. Money laundering through building hospitals, schools, kindergartens, supermarkets, travel agencies or any other private businesses became commonplace.

The 1990s could be characterized as the period of changing the nature of corrupt practices from high degree of nepotism and favoritism within closed elite circles to 'free unregulated market type' actions mostly revealed in illegal monetary transactions.

Corrupt officials that had been the common features of the soviet period bureaucrats, were transforming into new-type businessmen' that fostered chaotic, unregulated systems and structures dominated by corruption, illegal contracts and agreements.

The paper assumes that the security and complacency of closed elite circles of the soviet period transformed into chaotic uncontrolled market economy-driven illegal deals of the 1990s, and later grew into the fight for scarce resources that was triggered by raising public awareness through new policies and wide-scale debates on the reforms in almost all public spheres.

Corruption, shadow economy in transition countries and their impact on economic growth

Lacko (2000) offers the analysis of the impact of shadow economy on the development of countries in transition. 'The study investigates the size of the hidden economy and related features, in post-socialist countries. After dealing critically with the approach of Kaufmann and Kaliberda, a method based on household electricity consumption is used to estimate the ratio of

the hidden economy to the official GDP in 20 countries (Lacko, 2000, 117-149). The argument offered is that the high level of corruption in transition economies has a negative impact on production.

The level of business-related corruption in the Commonwealth of Independent States and Central and Eastern Europe in 2002 is presented in Table 1. The percent of managers who consider corruption the major obstacle for the business and entrepreneurial activities is considered an indicator of the negative impact of corruption on production.

Table 1

An indicator of business-related corruption (percent of managers surveyed ranking this as a major business constraint):

CEE, 2002*

Country	Indicator	Country	Indicator
Armenia	13.5	Lithuania	15.6
Azerbaijan	19.5	Moldova	40.2
Belarus	17.9	Poland	27.6
Bulgaria	25.4	Romania	34.9
Croatia	22.5	Russia	13.7
Czech Republic	12.5	Serbia	16.3
Estonia	5.4	Slovak Republic	27.5
Georgia	35.1	Slovenia	6.1
Hungary	8.8	Tajikistan	21.0
Kazakhstan	14.2	Ukraine	27.8
Kyrgyz Republic	31.4	Uzbekistan	8.7
Latvia	11.7		

Source: World Development Indicators. Retrieved from the database on August 10, 2006.

* Data for Kyrgyz Republic, Moldova, Poland, Tajikistan, and Uzbekistan are for 2003.

(In Lacko, 2000).

The data in Table 1 reveals that Moldova and Georgia were leaders in corruption, while in Estonia, Slovenia, and Hungary the level of corruption was relatively low as compared to the region's average.

The share of unofficial GDP in Eastern Europe and former USSR for the period of 1989 - 1995 is presented in Table 2.

Almost all countries in transition experienced a sharp increase in shadow economy. The unregulated and chaotic conditions in those countries could be named as possible causes for fostering the increase of shadow economy through illegal channels, corrupt practices and informal agreements. However, at the same time it should be noted that the issues of unreliable, biased and subjective-nature of data should be considered while looking at these numbers. This is again due to the chaotic and unregulated conditions in the data and information access services and institutions like anywhere else.

Table 2.
Unofficial GDP in Eastern Europe and former USSR,
1989 -1995

<i>Country</i>	<i>Share of unofficial GDP in the total GDP</i>						
	<i>(percent)</i>						
	1989	1990	1991	1992	1993	1994	1995
Eastern Europe							
Bulgaria	22.8	25.1	23.9	25.0	29.9	29.1	36.2
Czech Rep	6.0	6.7	12.9	16.9	16.9	17.6	11.3
Hungary	27.0	28.0	32.9	30.6	28.5	27.7	29.0
Poland	15.7	19.6	23.5	19.7	18.5	15.2	12.6
Romania	22.3	13.7	15.7	18.0	16.4	17.4	19.1
Slovak Rep	6.0	7.7	15.1	17.6	16.2	14.6	5.8
USSR							
Armenia	12.0	16.1	20.2	22.0	23.0	27.0	31.6
Azerbaijan	12.0	21.9	22.7	39.2	51.2	58.0	60.6
Belarus	12.0	15.4	16.6	13.2	11.0	18.9	19.3
Estonia	12.0	19.9	26.2	25.4	24.1	25.1	11.8
Georgia	12.0	24.9	36.0	52.3	61.0	63.5	62.6
Kazakhstan	12.0	17.0	19.7	24.9	27.2	34.1	34.3
Latvia	12.0	12.8	19.0	34.3	31.0	34.2	35.3
Lithuania	12.0	11.3	21.8	39.2	31.7	28.7	21.6
Moldova	12.0	18.1	27.1	37.3	34.0	39.7	35.7
Russia	12.0	14.7	23.5	32.8	36.7	40.3	41.6
Ukraine	12.0	16.3	25.6	33.6	38.0	45.7	48.9
Uzbekistan	12.0	11.4	7.8	11.7	10.1	9.5	6.5

Source: Kaufmann and Kaliberda (1996), Shleifer (2005). (Also referred in Lacko, 2000).

As it is shown in the table, Azerbaijan and Georgia were leaders in the share of shadow economy in the national economies, and, accordingly, in the share of unofficial GDP in the total GDP. The share of unofficial GDP in Azerbaijan in 1995 constituted 60.6 percent of the total

GDP, while in Georgia it was equal to 62.6 percent. In the former socialist countries of Central and Eastern Europe, economic transitions have started earlier than in the USSR, and by 1989 the share of unofficial GDP had reached significant value. The share of unofficial GDP in Bulgaria was equal to 22.8 percent, in Romania it was 22.3 percent, and in Hungary 27 percent. By the end of 1995 Bulgaria, Hungary, and Romania remained the leaders in terms of share of unofficial GDP among the countries of Central and Eastern Europe. The share of unofficial GDP in 1995 in Bulgaria was equal to 36.2 percent (Lacko, 2000).

The share of unofficial GDP in total GDP in the countries of Central and Eastern Europe in the early 2000s is not much higher than the analogous indicator in the countries of Western Europe, USA, Canada, and Australia.

Table 3 represents the data of the share of the unofficial GDP in the total GDP in the countries of Western Europe, USA, Canada, Japan, and Australia in 1990:

Table 3.

Share of the unofficial GDP in the total GDP (percent), in Western Europe, USA, Canada, Japan, and Australia, 1990

Country	Percent	Country	Percent
Spain	22.9	Netherlands	13.4
Greece	21.8	Finland	13.3
Ireland	20.6	Japan	13.2
Belgium	19.8	UK	13.1
Italy	19.6	France	12.3
Denmark	16.9	Canada	11.7
Austria	15.5	Sweden	11.0
Australia	15.1	USA	10.5
Germany	14.9	Switzerland	10.2
Portugal	13.8	Norway	9.3

Source: Lackó, M. (1998). The Hidden Economies of Visegrád Countries in International Comparison: A Household Electricity Approach. In L. Halpern and C. Wyplosz (Eds.): *Hungary: Towards a Market Economy*. Cambridge: Cambridge University Press.

As it can be observed from the table Spain and Greece have the highest share of shadow economy (22.9 and 21.8 respectively), while Switzerland and Norway are on the bottom end

according to the shadow economy share. This could be explained by their stable economic situation.

Considering the above discussed factors of logic, morality and intuition of individuals, organizations and governments, these cross-country comparisons could provide ample material for accounting for actions (or non-actions) on the part of governments, businesses and individuals in these respective countries.

Individual actors in corrupt practices across the world: the importance of morality and intuition in designing further strategies for combating corruption

The presence or absence of the degrees of ethical considerations and deeply-rooted intuitions might be associated with corrupt actions of certain individuals involved in corrupt practices. Besides the logic of profit-making, the morality (or its absence) and intuition driving the individual actors while engaging in illegal transactions might be an interesting issue to research for future in order to better grasp the mentality of such agents, and perhaps, even predict the probabilities to what extent might individual actors engage in such corrupt actions. This might appear a useful tool for designing even more comprehensive and more-inclusive strategies than are available today. As already illustrated in the above examples, corruption has many different manifestations. Therefore, in addition to designing ready-made recipes, looking at individual cases and analyzing them might provide rich material for more effective understanding of not only organizations and governments, but individuals as well. Understanding individual human nature in this respect might give deeper insight to scholars and policymakers to elaborate on more complex anti-corruption measures than are offered at present.

Referring to the anticorruption watchdog Transparency International rankings, Campos and Pradhan (2007) provide the listings of the 10 most self-enriching leaders in recent years. Ranked by the amount each allegedly stole, in U.S. dollars, they are:

1. Former Indonesian president Suharto (\$15-35 billion)
2. Former Phillipine president Ferdinand Marcos (\$5-10 billion)
3. Former Zairian president Mobutu Sese Seko (\$5 billion)
4. Former Nigerian president Sani Abacha (\$2-5 billion)
5. Former Yugoslav president Slobodan Milosefvic (\$1 billion)
6. Former Haitian president Jean-Claude Duvalier (\$300-800 million)
7. Former Peruvian president Alberto Fujimori (\$600 million)
8. Former Ukrainian prime minister Pavlo Lazarenko (\$114-200 million)
9. Former Nicaraguan president Arnoldo Aleman (\$100 million)
10. Former Phillipine president Joseph Estrada (\$78-80 million)

(Source: Transparency International, 2004, cited in Campos and Pradhan).

The case of each individual actor named above might provide certain useful material for scholars to research the issues of individual agency, corrupt practices, and the role of morality, intuition and logic. The individual level might appear useful for understanding the actions of groups of agents, organizations, and governments, as all of them are ultimately driven by individual actors who use or abuse their power and authority for personal gains, and hinder the economic development of their countries.

Conclusions

Corruption and illegal systems could be the best manifestations of manipulative character of corrupt governments, organizations, groups or individuals. The manifestations might

take different forms. And this fact is not surprising owing to sociocultural differences across countries and regions. What the hardest challenge in this respect might be is to see our universal human nature through its variable manifestations and then to craft political institutions that build on this insight, and in this particular case, to design viable and effective strategies for fighting corruption in different spheres of human activity.

Another assumption would be to use not only the methods of induction or deduction in order to understand certain cases or draw conclusions, but the instances of illegal transactions and informal agreements often require the method of abduction (i.e. creative approach to understanding any given case). This is owing to the ambiguous and blurry character of the phenomenon of corruption, shadow economy and informal contracts that are often surrounded by the atmospheres of obscurity, secrecy and illegality and require a wider and multifaceted approach for solutions than the provision of straightforward unilinear explanations that in the case of informal activities do not always operate. Besides, the variable manifestations of human nature mentioned above could again be at work here that further necessitate the application of abduction method of analysis.

Furthermore, the issue of deep-seated moral intuitions might be raised while studying the reasons, causes or cures for corruption. Impeccable logic versus moral intuitions is the dichotomy that might be the most complex and shifty in this respect. Individuals often stand at the crossroads of logic and intuition while making decisions. Organizations are even more complex structures as they consist of multiple agencies and channels where the boundaries between impeccable logic, moral intuitions and profit-oriented strategies are considerably blurred.

The ethical issues and moral dilemmas facing individuals and organizations are yet other issues of interest that are related to the decision-making process of whether or not to engage in corrupt practices.

The recommendations that are commonly offered by policymakers, international organizations or scholars is to increase transparency, accountability, and access to information for wider public; to foster transnational cooperation between organizations or governments with third party observers that would monitor the efficiency and transparency of any agreement or transaction.

The recommendations on reforms to decrease the level of corruption are provided by Campos and Bhargava (2007). 'In trying to operationalize the general principles of reform – increase transparency, improve accountability, reduce discretion, dilute monopoly power – it is necessary to get a solid practical grip on combating corruption and its varied manifestations' (Campos and Bhargava, 2007, in Campos and Pradhan, 2007: 1-25). They further offer the following strategies that should be implemented to combat corruption: address poor governance rather than catch crooks; one size does not fit all (i.e. implement road-map approach for individual cases); strengthen electoral institutions; improve legal and judicial systems; improve public management; increase recognition of engaging civil society groups in monitoring the delivery of sectoral outputs (Campos and Bhargava, 2007, in Campos and Pradhan, 2007: 1-25).

In addition to all the above recommendations, the present paper offers the deeper study of logic, intuition and moral aspects of individual or collective agencies to better understand how corruption works in different contexts.

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