

**Graycar, Adam** & Villa, D. ( 2011), The Loss of Governance Capacity through Corruption, *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 24, No 3, 419 – 438

---

---

## The Loss of Governance Capacity through Corruption

Adam Graycar and Diego Villa

### **Abstract**

*Corruption manifests itself in many ways and at different levels. Corrupt behavior causes outrage to victims and those who value civil society, it impedes good government and administrative practice. The policy challenge in reducing corruption is to identify the component parts of corrupt behavior and the risk–reward profiles of offenders. This exploratory article begins this process by reporting data from 100 successfully prosecuted cases from New York City. The study analyses data on varying degrees of corruption in service provision in New York City. The loss to the city is much more a loss of governance capacity than it is a monetary loss.*

**Keywords:** corruption governance, bribery, capacity loss, municipal.

### **I. Introduction**

Corruption often hits the headlines as politicians are found out when they accept bribes, use their public offices to enrich themselves their families and supporters, and play fast and loose with the rules of well-organized societies. The activities of minor level officials who may take smaller bribes and smaller risks rarely find their way into the public arena. In the United States (U.S.) where there is a strong legislative base, with severe penalties for corrupt behavior, corruption nevertheless abounds. American media frequently claim that every Democrat elected governor of Illinois in the past 50 years has either gone to jail or been impeached. The most recent Republican Governor also has spent time in prison for corruption. Five of the last seven mayors of Newark New Jersey have either gone to prison or been indicted on corruption related charges. In February 2009 Chicago City Alderman Arenda Troutman was sentenced to four years in prison for corruption, becoming the 28th Chicago Alderman since 1972 to be sent to prison. In Pennsylvania in 2009 two senior judges were indicted for taking kickbacks for sentencing juveniles to a privately run correctional facility.

It is a puzzle as to why the legal framework and the law enforcement system has not been able to make a greater impact on corrupt behavior, though many theories can be put forward. Northern European countries with similar legislation have a much lower prevalence of corruption while some southern and eastern European countries have a much higher prevalence. Some countries in Africa, Asia and South America have horrendous corruption profiles.

Corrupt behavior hurts people, it causes outrage to victims and those who value civil society, and it impedes good government and administrative practice. Corruption has featured in government since the beginning of time, and it could be simply defined as “the abuse of public office or public position for private gain” (United Nations Development Program and Global Integrity 2008). Due to its pernicious effects, in modern societies corruption is regarded as highly undesirable and numerous efforts are made to contain and combat corruption, especially when related to the search for private economic gain.

Data upon which anti-corruption strategies are developed is not systematically collected, and this paper attempts to provide some insight into the nature and type of corruption in New York City. The data reported in this study from the city’s Department of Investigation found overwhelmingly that the financial stakes were very small, but the governance capacity loss to the city was large. It was capacity loss rather than monetary loss that was the main effect of the cases examined.

The policy challenge in reducing corruption is to identify the component parts of corrupt behavior and the risk and reward profiles of offenders. This study begins this process by reporting data from 100 successfully prosecuted cases from New York City.

## **II. Scope and Sphere of Corruption**

Nearly everyone has views about what activities and behaviors are deemed corrupt but there is a lack of consensus on the definition of corruption given its multifaceted nature. Activities that involve bribery and graft, extortion, kickbacks, misappropriation theft and fraud by virtue of one’s position, self-dealing, patronage, abuse of discretion, creating or exploiting conflict of interest, nepotism, clientelism and favoritism, as well as political manipulation are all generally agreed to constitute corrupt behavior. These various corrupt behaviors occur in different activities and different sectors of all societies. Most commonly these apply in domains such as: buying things (procurement processes, issuing contracts etc.); appointing personnel; delivering programs or services; making things (road construction, major capital works, housing developments etc.); controlling activities (licensing / regulation/ issuing of permits etc.); and many forms of administering (justice mostly, but also health, environmental services.).

Corruption is larger than municipal corruption nevertheless, and the losses and other effects that it produces may well be different in different settings. Therefore, corruption can be classified according to its scope and sphere, at three levels, each with a different effect on society (Langseth 2007, 9). A first level implies petty corruption. This involves primarily low-level civil servants in small acts (such as a police officer taking a bribe to negate a traffic ticket). A second level is grand corruption, where political leaders, high-level public servants or major elected officers perform acts that affect the credibility of the system and the basis of its functioning (e.g., a political leader personally benefitting from major development projects, a judge who takes a bribe to resolve a case). Finally, state capture implies the manipulation by those not formally in power, of the institutions of the state and its economic direction (e.g., business interests “controlling” politicians and relying on their patronage to allow them to own and profit from formerly state owned enterprises and assets.) In this sphere the state itself functions as a corrupt mechanism (U4 Anti-Corruption resource Center n.d.).

Historians have documented ancient and recent manifestations of the phenomenon (Friedrich 1972). Tammany Hall was a euphemism for multifarious corrupt practices (Werner 1932) while the processes of corruption over time were documented in V.O Key’s classic *Politics, parties and pressure groups* (Key 1958). Anthropologists have studied gifts, bribes and patronage in different cultures while lawyers have written extensively on the rule of law and the jurisprudence surrounding corruption.

“Syndromes of corruption” are very usefully identified by Michael Johnston. While his analysis is on nation states where he uses country level data to illustrate his thesis, his syndrome of “influence markets” is relevant in this context (Johnston 2005, 39-43). Other syndromes such as “elite cartels”, “oligarchs and clans” and “official moguls” do not characterize New York City today. Influence markets exist in mature democracies where there is steady competition and widespread political participation. At the national level the syndrome of influence market corruption mostly causes damage to the system. The data reported below confirms damage to the governance capacity of New York City.

Moving from syndromes to cultures, Eric Uslaner (2008) demonstrates that people who make corrupt payments feel a sense of high inequality and have low trust. Although these cultures were not examined in this study, Uslaner stresses that malfeasance derives from the absence of transparency. In New York the manipulation or disregard of the required transparency created a situation where corruption could occur. As Uslaner points out “the excluded party is almost always the loser in the corrupt transaction” (Uslaner, 2008, 9). In the transactions reported below the city was the excluded party and as such, NYC lost governance capacity as a result of these apparently small transgressions.

From the seminal work of Susan Rose Ackerman (1975) on the economics of corruption to more recent comprehensive analyses of corruption (see, for example Aidt 2003) economists have examined it in virtually every aspect of macroeconomic and microeconomic behavior and in the allocation, distribution and delivery of goods and services. Rose-Ackerman (1999) weaves many threads together by examining the economic impact of corruption and how high level officials manipulate political power and civil service processes, especially in the development context. Our study however, focuses on low level officials,

Thus conceptualizing corruption at this level is to see it as administrative, when it focuses on a public officer or servant as the main mechanism, and it reaches into the lower levels of the bureaucracy in their daily functions. It can be seen as political, when it affects higher public officers or elected politicians in their sphere of policies and rules decision (Bracking 2007, 5-6).

Rose-Ackerman (1999, 113-126) outlines a range of corruption situations and models. When there is a powerful corrupt public official (i.e. a head of the state) and multiple bribers, there is a kleptocracy, in which the public officer will extract as much benefit as possible from any transaction. When there is only one briber, or very few, and still only one powerful corrupt public official, there is a bilateral monopoly, in which both parts divide the benefits of the illegal activity, depending on the relative force of each part. If there is one powerful briber and many low-level public servants, there is a mafia-dominated situation, where the private client defines the policies and uses public power in his own interest. Finally, in a competitive bribery situation, there are many low-level public officers willing to take bribes and many bribers willing to pay for them, similar to a competitive market, but with the risk of a corruption spiral.

Other classifications can be brought into play, such as regulatory corruption, judicial corruption, electoral corruption, etc (for additional discussion about other definitions see Huberts, Lasthuizen and Peeters 2007; Rose-Ackerman 1999). However, as a general approach, it is possible to argue that corrupt conduct depends on both the general opportunities available, and the specific structure of corrupt acts that are possible at a specific time and place (Hors 2001).

One way forward is to focus on specific acts in localities and build a model that can be tested empirically in a search for more effective controls. The focus therefore is not on “grand corruption” but rather on everyday corrupt acts that can be explained by routine activity theory (Cohen and Felson 1979) which can be used to explain corruption and can be employed in its prevention. In the examples below we have in all cases the elements of routine activity theory, a motivated offender, a suitable target and the absence of a capable guardian. The contexts provide significant opportunities, and by understanding these opportunities we can better test what sorts of controls might be applicable.

Depending on the relative difference of power between the public servant and bribers, the corrupt act could be extortive or consensual. This study focuses on administrative corruption only, where it is either extortive or consensual.

### **III. Department of Investigation of the City of New York**

The cases that comprise this study were taken from the Department of Investigation (DOI) of the City of New York. This is a large and traditional anti-corruption agency, which focuses both on administrative and political corruption. Over the years, New York City officials (like many city officials elsewhere) had gained notoriety for perpetrating corruption, fraud, bribery and theft with impunity. However, it was not possible for the New York Police Department (NYPD) to tackle all these cases effectively without jeopardizing their major role of maintaining law and order in the city and protecting the people from violent crime.

The DOI therefore was founded in 1873 to serve as an independent and non-partisan watchdog for the New York City government, and was specifically delegated the role of dealing promptly and effectively with cases of corruption which were eating into the coffers of the city government (New York City Department of Investigation 2009).

As such, the DOI is one of the oldest law enforcement agencies in the US focusing on fighting corruption. Its main role is to combat corruption in public institutions in New York City and ensure that public officials do not use their position for private gain.

The DOI consists of attorneys, investigators, forensic auditors, computer forensic specialists and administrative personnel. There are 300,000 employees in the New York City government, and major functions of the DOI include investigating and referring for criminal prosecution, cases of fraud, corruption and unethical conduct by city employees, contractors and others who receive city money. It also studies agency procedures to identify corruption hazards and recommends improvements in order to reduce the city's vulnerability to fraud, waste and corruption. In addition, the DOI investigates the background of persons selected to work in decision-making or sensitive city jobs, and conduct checks on those who are awarded contracts with the city to determine if they are suited to serve the public trust. The DOI also recovers the city's stolen funds and protects the city's finances by pursuing criminal and civil forfeiture, restitution and other types of financial recovery. In this aspect, DOI officers work closely with the various prosecutorial agencies, in order to maximize the city's financial recoveries. Because of DOI investigations, in 2009 more than \$27 million was ordered or agreed to in restitution, forfeitures and other financial recoveries on behalf of the City and other victims (New York City Department of Investigation 2009).

The impact of DOI's work has been evaluated at different stages of its operation. One of the first public evaluations, made by one Columbia University scholar and DOI senior officer (Seidman, 1941), focused on DOI's capacity to build better management in New York City. Seidman argued that DOI's existence as a dedicated agency with a focus on improving efficiency and tackling corruption puts DOI in a better institutional position to accomplish this mission than other units that form part of other agencies, thus becoming a useful example for other municipal governments. At the same time, Seidman argued that DOI was especially relevant in mayor La Guardia's efforts to tackle political machine run corruption in New York City, which was one of the important management problems in the city during the 1930s'. The problem was the high dependence of the DOI on the mayor's political will.

The report of the New York State Organized Crime Task Force to Governor Mario Cuomo (1990), whose subject was corruption and racketeering in the New York City Construction Industry produced a similar picture about the problems that DOI faced in New York City during the 1980's. This report concluded with several proposals to overcome the intervention of organized crime, the criminal syndicate, and Cosa Nostra, as well as high-level political leaders' corrupt acts, bringing together a picture of state capture.

The pervasiveness of negative findings related to municipal corruption in New York City across different moments in time, seem to represent a case of what has been called public values failure (Bozeman, 2007), which could merit a separate study in municipal management.

#### **IV. Data and Method**

One hundred cases which the DOI had investigated and resolved, were considered for this study. Beginning with cases in 2009 and going backwards, 100 cases were selected in chronological order. They were not randomly selected or assigned. However, not all were corruption cases. Twenty-eight cases were eliminated, because although they were prosecuted, they were deemed to be assault, theft, fraud or forgery. We eliminated them because they were criminal activities that could have occurred in any corporation or employment context. These cases were not assessed as corrupt acts, since they did not primarily involve the misuse of a public function to gain access to a criminal opportunity..

Consequently 72 cases remained. These involved more than 72 perpetrators. Some examples of the type of cases in the study are listed here:

1. A water use inspector at the City Department of Environmental Protection (DEP) was arrested in 2005 for soliciting and receiving bribes from four people who faced stiff

finances for water use violations and/or costly repairs to their water meters. He offered to overlook violations in return for payments of between \$100 and \$250.

2. Seven employees of the New York City Human Resources Administration/ Department of Social Services and eight other individuals generated Medicaid cards (meant for the city's neediest and most vulnerable people) in exchange for a cash fee of approximately \$300-\$400 per card. This scheme led to the Medicaid Program losing an estimated \$3.9 million. (2007)
3. An employee of the City Department of Parks and Recreation (DPR) received \$120 from a person obligated to perform community service as a part of an alternative sentence program, to let him leave early without performing the services. (2007)
4. In collusion with a supervisor of adoptions at the City Administration for Children's Services, three persons presented false adoption claims for subsidies during 2007 and 2008. They received a total of \$159,389, and then shared the money with the official.
5. A technician was arrested for accepting a \$100 bribe to alter drug test results. Her role was to collect urine samples as part of pre-employment testing of all job applicants for the New York City Housing Authority.(2006)
6. A factory operator offered \$700 to a Department of Buildings (DOB) boiler inspector to overlook unsafe boiler violations at a factory in Brooklyn. (2007)
7. Six employees of the City's Health and Hospitals Corporation (HHC) sold confidential patient information to personal injury attorneys. Amount not specified. (2009)
8. Four building contractors offered \$500 to an undercover officer posing as a Department of Buildings Agent, to overlook several building code violations related to scaffolding safety issues. (2007)
9. A New York State assembly woman offered her help to a private contractor to acquire city-owned land in her district and in exchange the contractor had to build a house for her valued in \$500,000. (2008)
10. A subsurface plumbing company manager paid bribes to a New York City Department of Buildings (DOB) inspector in exchange for his overlooking codes applicable to the DOB and the City Department of Environmental Protection (DEP), and expediting DOB and DEP inspections and approvals. In so doing they received federal program funds. (2007)
11. Four restaurant owners in Brooklyn were arrested for paying bribes, ranging from \$100 to \$200, to DOI undercover investigators who posed as City Department of Health and Mental Hygiene (DOHMH) inspectors to avoid summonses for Health Code violations. (2007)

12. Between October 1999 and January 2005, a State Senator used his position and influence to obtain financing funds for two non-profit organizations. Much of this money (approximately \$575,000) was diverted to pay his personal expenses.

It is important to note that these cases are not a representation of all the corruption that exists in New York City, but rather a representation of the cases that have been investigated by the City's watchdog agency.

These 72 cases provided an interesting insight into DOI's everyday work, and into municipal corruption in New York City. However, since this sample was not randomly generated, and since there was a purposive selection of the cases included in this review, caution should be applied to any generalization<sup>1</sup>. Nevertheless, findings in this study provide an interesting foundation for future development of a research program to address some specific topics, as we mention in our conclusions.

Furthermore, it is important to study the penalties levied. A key issue in enforcement is the expected penalty. Penalties are not examined in this article, but an important topic for a subsequent paper is whether penalties are tied to the bribers' monetary gains or the governance capacity loss to the city.

## V. Findings and Discussion

This wide variety of corruption activities and personnel led to development of a classification of 10 sets of variables:

1. Was the **initiating offender** a public servant or a private citizen? The fact that a public servant initiates the offense, for example by proposing or demanding the payment of a bribe or kickback, together with other variables, could help to detect if there was an important level of coercive bribes.
2. Was the **main beneficiary** a public servant or a private citizen? Here the question is who obtains the most from the corrupt act? The city and the public are the losers. On the back of the city's loss (of capacity or money) the beneficiary can either be a public servant receiving money in addition to salary to which s/he is not entitled, or a private citizen whose business is facilitated or enhanced by way of a corrupt payment. This can serve as a proxy indicator for possible extortive bribes.
3. Were the perpetrators **acting alone or as team?**
4. What **kind of public servant was involved?** Some positions have more opportunity or more vulnerability. We used four categories: (a) Inspectors, a term used to

---

<sup>1</sup> In particular, data and findings in this study suffer of deficiencies in external validity, since several biases threat the validity of the extrapolation and interpolation of the conclusions.



describe public servants in charge of reviewing legal requirements when performing regulated activities; (b) Supervisors and managers; (c) Politicians, namely elected officers; and (d) Low-level public servants with something to sell, people who delivered services, without decision-making authority, but with access to scarce or required services.

5. **Size of bribe, kickback or misappropriation.** Given that the range was from a few dollars to many millions of dollars it was not feasible to have even categories for the analysis.
6. **Kind of infraction** focused not on the conduct of the public servant, but on the meaning of that conduct, and we used three categories, violating regulations, theft, and abuse of political influence.
7. **Sector** in which infractions occurred were infrastructure, mainly construction, health and environment, and human services.
8. **Process** described whether corrupt acts were a violation of existing regulations or went further to proactively create an opportunity for private gain.
9. **Nature of the activity** described controlling and implementing regulations; procurement or contract administration; theft; or appointing personnel and claiming expenses.
10. **Result** was categorized as either financial loss to the city or a loss of governance capacity. This is the immediate result of each item of criminal conduct. This is not the long term outcome, for our focus in this study is the immediate result of the criminal conduct, not the final product of the case. This means that any case deemed as governance capacity loss implies that the city was not able deliver to its citizens that which it had legislated and for which it had provided an administrative apparatus. It could not obtain from the public servant conduct of appropriate oversight and regulatory compliance, because of the corrupt act.

Table 1 summarizes these data.

---

Table 1 about here

---

In a nutshell, about half the initiating offenders in this sample were public servants and half private citizens, and with the city the loser, the beneficiary was just as likely to be a public servant as a private citizen. Although the sample was small, there is no evidence of a major public servant initiated extortion racket, or a citizen-led undermining of city procedures. Opportunities for corrupt behavior fall fairly evenly. Eighty percent of the offenders acted alone, and in most cases the public servant involved received a very low payment (56% received less than \$1,000, though in four cases the amounts involved were in the millions).

Some positions have more opportunity or more vulnerability. Of the four categories of public servants involved, about half the cases fell into one category, the inspector category. Inspectors have discretion and often monopoly power. One-fifth of cases involved supervisors and managers. Elected officials were a very small proportion of these cases. Only five cases (7%) involved a politician, so they have not been detected as habitual players in this administrative market. Low-level public servants comprised almost one-quarter of cases. As noted these were people with something to sell or access to scarce or required services rather than monopoly discretion. Payments varied from a few dollars to many millions of dollars, though most were small amounts.

Following Rose-Ackerman (1978), we could speculate on the low amount of the payments involved. Only a few cases involved high-level public servants, and in those cases payments were higher. Also the service provided was more difficult to obtain through alternative means. The majority of the cases involved low-level employees, most of them inspectors or supervisors, whose salaries are low, and whose decision-making capacities are more restricted in scope and in temporal effect. Inspectors and supervisors work implies an oversight of a generally ongoing private or public operation.

The approval they provide is often only one of many, and people inspected might not be willing to pay higher amounts of money knowing that the decision made is essentially provisional. However, these low-level employees still have the capacity of disturbing everyday operations of private business, creating an opportunity for corruption to arise when prices for approval are low enough. Finally, the perceived low level of risk faced by both public employees and private counterparts could help to explain the low amount of most of the bribes reported here.

Given the massive volume of the city's supervision or inspections, this could foster the creation of what Rose-Ackerman calls a competitive bribery market (Rose-Ackerman, 1978, pp. 124-125). However, further study is needed to assess this possibility, controlling for other possible relevant variables, such as the severity of punishment, penalties and sentences, as well as the existent level of control over those officers.

In almost three-quarters of the cases there was a violation of regulations for better functioning, either of the city or a regulated private activity, and in one-fifth, funds were corruptly stolen, while abuse of political power occurred in a small number of cases. The most prevalent sector in which infractions occurred was infrastructure, mainly construction. Next was human services, which included subsidies and publicly delivered services. The third category, almost tied with the second, was health and environment, including all kind of regulated activities in which public health or environmental aspects were the protected public interest (i.e. hygiene in restaurants or clean water).

About two-thirds of the corrupt acts were violations of existing regulations, and about one-third were creation of opportunity for private gain. In other words, the opportunity was already there and something could be overlooked, rather than the officials setting out with new and risky schemes. Almost three-quarters of the activities covered controlling and implementing regulations (72%), while in 19% of cases procurement or contract administration were the issue. Small numbers were involved in theft or in appointing personnel and expenses, which includes the selection and hiring of public servants or staff, and declarations about refundable expenses.

Finally, and most importantly, is the result, which overwhelmingly was a loss of governance capacity. This consists of the inability to provide safety or ensure standards. Eighty percent of cases involved governance capacity loss, and only 20% produced financial loss<sup>2</sup>.

Extortive bribes were not the dominant characteristic. The dollar amounts received were generally small and the risks involved, seem to demonstrate the lack of capacity of public employees to exert a high level of pressure on their “clients”.

This also means that the major problem of controlling corruption seems to be in the human interface between low-level public servants (either, in inspectorial, management or service delivery positions) and private business people, or those receiving human services. Extortive bribes could exist, nevertheless, in cases involving politics, As table 3 shows politicians obtained higher levels of payment.. Again, it is important to remember that this finding represents the sample used in this study, and is not necessarily generalizable.

Developing preventive strategies will depend on an understanding of the context of the corrupt act, and important here is whether people act alone or as a team. To start with, most activities involved solo actors (80%) while only 20% worked in collusion (Table 1). The patterns for people working alone were different from those working in collusion. Those working alone received much smaller dollar amounts than those working in collusion, however politician (alone) were able to achieve larger amounts. Two-thirds of those working alone received less than \$1000, and 10 of the 57 received less than \$100.

---

<sup>2</sup> As we said before, this only refers to the immediate effect of the corrupt act. New York City lost ability to obtain increased oversight and regulatory compliance from the work of the public employees involved, because of the corrupt act in cases of governance capacity loss. However, the final outcome of each case is dependent not only in the conduct, but in its detection, and on the effect that its detection and adequate processing could create, aspects that are out of the scope of this study.

Although the data are not as robust as we would like, Table 2 shows that the activities of those acting alone were much more likely to result in capacity loss than money loss. They were much more likely to involve the violation of a procedure, while those acting in collusion were just as likely to be creating opportunities as violating procedures. Where people act alone the initiating offender is more likely to be a private person, but when there is collusion, the initiative overwhelmingly comes from public servants. The table also shows that almost half of those acting alone were in the infrastructure sector, while team players favored this sector least.

---

Table 2 about here

---

The size of the bribe does not show any variations when examining the category initiating offender, but inspectors and low-level workers were likely to get smaller amounts than supervisors or politicians. No politicians in the sample received less than \$10,000, but only one inspector and one low-level worker managed this amount. There were only slight differences in the amounts received in any of the sectors, though of the four cases where there amounts over \$1 million, two were sole operators, and two were team operations. Where there was governance capacity loss, the amounts were considerably lower than where there was monetary loss.

Not surprisingly, inspectors and low-level workers are almost exclusively involved in controlling or implementing regulations, while supervisors are more likely to be involved in corruption relating to procurement and administering contracts, while politicians, when involved, are more likely to misappropriate or manipulate expenses, as table 3 shows.

---

Table 3 about here

---

Appropriate intervention can be built on a better understanding of the results of the activities or of the participants, namely the types of public servants involved. Of the four types of public servants, the activities of politicians and supervisors were most likely to result in money loss while the activities of inspectors and low-level public servants were most likely to result in governance capacity loss<sup>3</sup>. In fact there was no money loss from

---

<sup>3</sup> It is important to keep in mind that when talking about governance capacity loss, is in reference to the public decision involved by the act. Of course, if the same concept is analyzed from a state capture perspective, the result would always be that there is a governance capacity loss when political leaders are involved in corrupt acts, because of the inherent risk of state capture.

the activities of inspectors. Where inspectors were corrupt, the initiating offender was nearly always a private citizen, rather than another public official.

The emerging picture is that inspectors are approached by private citizens to overlook or disregard some infraction, and this results in governance capacity loss to the city, because of the failure to control or implement the city’s regulatory requirements, as shown in Table 3.

A different pattern prevails with supervisors, who are more likely to engage in contract or procurement irregularities. They are also more likely to become the initiating offender, and the result of their corrupt activities is money loss to the city. Intervention strategies to target supervisors, inspectors, low-level workers and politicians would therefore be different.

When we turn to results, two variables were used, loss of governance capacity and loss of money. These are shown in Table 4. Overwhelmingly the city lost governance capacity due to corrupt behavior. Only 14 of the 72 cases resulted in money loss to the city, but where this occurred the losses were often substantial. In the four cases where over \$1 million was lost, the initiators/ beneficiaries were all public servants. In fact for all cases over \$100,000 the initiating offender was a public servant. Eight of the 11 cases which involved more than \$100,000 were in the human services, and the remainder in infrastructure. This was mostly in procurement and contract administration, and the beneficiary was nearly always a public servant acting alone.

Governance capacity loss, however, is very serious for the city and mostly involves violating procedures in the controlling and implementing of regulation. Governance capacity loss benefitted private individuals more than it did public servants, and resulted mostly from perpetrators acting alone.



Table 4 about here



Careful examination of Table 4 reveals interesting patterns which can inform anti-corruption interventions. Overall initiating offenders were just as likely to be public servants or private citizens, but in two-thirds of the capacity loss cases (N=38) the initiating offender was a private person and not a public servant. Similarly beneficiaries were split evenly between public servants and private citizens but where there was capacity loss, in 58% of cases the beneficiary was a private citizen (N=34). Where there was money loss all offenders were public servants, and none were private citizens. The losers are the general public.

The research has found that where there is capacity loss a private citizen initiates the corrupt act and more often than not a private citizen is the main beneficiary (through a relaxation of a regulation or requirement). Where there is money loss to the city the initiator and main beneficiary is always a public servant or politician.

With capacity loss the monetary bribes are very small. With money loss the amounts involved are much larger. Where there is capacity loss, in 69% of cases (N=40) the amount changing hands was less than \$1,000. When there was money loss, in 13 of the 14 cases (93%) the amounts involved were over \$1,000. Inspectors and low-level workers who were involved in 72% of all corruption cases made up 86% of capacity loss cases. Small amounts of money to these people therefore, weakened the city's governance and regulatory authority. The big fish took bigger amounts but the money was more important in their cases than the procedure that was violated. Where money was lost, all 14 cases involved creation of opportunities but with capacity loss 80% of cases (N=46) involved violation of procedures rather than creation of opportunity.

## **Conclusion**

While the study demonstrated certain types of corruption and their effects, it did not assess the prevalence of corruption in New York City, nor the penalties imposed on prosecution. However, it can be assumed that previous lessons have helped New York City to deal with political machines and organized crime, since most of the cases in the sample represent low-level public employees committing low effect corrupt acts. This does not mean that corruption is no longer a problem; on the contrary, it is very real and is a cause for concern for the city government and the citizens of New York. These data can help us move forward in one or more ways, and these ways forward are applicable across the spectrum of public administration.

Corrupt behavior can be thought of in terms of the familiar risk/reward relationship. Much of the activity reported in this study clusters in the low risk–low reward region of this relationship. A very small number of cases are found in the high risk–high reward region. The latter tend to be the headline cases of political corruption whereas the former reflect low level corruption at an individual level – behaviors that, in generating governance failures, can also have significant damaging collective impacts.

The policy challenge is to design regimes that push up the risks and drive down the rewards in this space. The data collected in this study is a start for new assessments of anti-corruption approaches in relation to the risk–reward relationship. These assessments might focus on three types of interventions.

First, there are changes in the culture of the city's administration, and the backing of these changes by legislation and best practice administration. Second, there is a legal and law enforcement approach in which corrupt acts are criminalized, investigated, prosecuted, and penalties levied against the offenders. Third, there is a crime prevention approach in which lessons from successful early intervention and crime prevention can be used to minimise the opportunities for corruption and to make it more difficult to commit corrupt acts.

In dealing with organizational culture, ethics need continually to be stressed and reinforced, and clear messages need to be communicated about what is that is acceptable behavior and what is not acceptable. Excuses are often given for corrupt behavior because there is no clear message about unacceptable or dubious behavior. Often colleagues who transgress give the impression that their activities are what everybody does, or have always done. If there is no action against transgressors, particularly if the behavior is widely known, then the organization has a culture problem. Workplace practices of good behavior need to be rewarded and celebrated, and poor behavior penalized. Within an organization, anti-corruption culture needs to be reinforced with good personnel management and job design, reporting mechanisms for questionable behavior and no retribution against whistle blowers. Robert Klitgaard's (1991) famous formula  $C = M + D - A$  (corruption equals monopoly plus discretion minus accountability), provides a basis for shaping culture and work activities.

Within law enforcement there is a substantial body of legislation in most countries which makes illegal, activities like bribery, extortion, misappropriation and fraud. Legislation is less useful when dealing with issues such as patronage, abuse of discretion, nepotism, clientelism and favoritism, and conflict of interest. Here law and culture need to come together. In the U.S. investigating public corruption is the top criminal priority of the Federal Bureau of Investigation (FBI). Yet in personal communication with senior FBI officials, they feel the task before them is so voluminous for the resources available. Much the same can be said with resources and processes devoted to prosecution, yet from time to time there are significant successes for prosecutors. There is an important field of study in examining criminal penalties for convicted offenders, and whether this has a deterrent effect.

Turning to the third intervention, crime prevention, a routine activity theory approach, would break each activity into its smallest component parts and examine concepts of crimes of specialized access (Felson and Boba 2010, 123). Studying targets, opportunities, and guardians could lead to a theory-based analysis, which could help to produce some environmental crime prevention initiatives, which will become the core of our future work on this issue. In specific, using the routine activity approach, it would be possible to examine the practices of the public servants involved and their routine interactions with private agents. After that, following Goldstein (1990), a problem solving approach could be applied to scan available data to detect similar patterns involving several individual incidents, and analyze those findings to detect the most relevant aspects of those routines that need to be

modified or controlled to produce the desired outcome of corruption prevention. After that, a specific policy response could be designed, applied and assessed, to review its efficacy.

This analysis could target different kinds of public officers. As shown, different kinds of public officers seem to have different corruption risk consequences. (politicians = money loss; inspectors = governance capacity loss). This consideration could allow the development of a regulatory system of prevention and response, one that is more suited to the specifics of New York City.

The findings from this study call for further analysis, based on better but more expansive sample designs, which could produce an accurate picture of possible predictors in the understanding of specific mechanisms underlying corruption in cities. However, in spite of the validity issues related to this sample there is still room for additional analysis to produce causal explanations applicable to the studied cases, and from them, to develop some general propositions about policies that could be adopted to tackle corruption in New York City and apply them to other cities.

In addition to further studies of the nature and type of capacity loss and its consequences, this study points to at least two additional studies. One relates to the dynamics behind the hypothesis that the payment level of bribes increases as the position and status of the beneficiary increases. The second is a study of penalties, and exploration of whether the penalties are related to the capacity losses or monetary losses experienced by the city, or related to the perpetrator's reward in dollars.

While small bribes, rarely more than a few hundred dollars, are common in the study, the loss to the city is a loss of governance capacity, in that its legislation in respect of health, safety, human services, town planning and other regulatory behavior can be circumvented. The city has laws and regulations, and has developed and funded an infrastructure to implement these, yet it cannot always achieve the result it desires. The losers are the residents of the city because the protective measures legislated by the city can be circumvented for relatively small rewards.

Our single main finding in this context is existence of mostly petty corruption in the form of low bribes payments, linked to the position and function that public officers perform in New York City. The main consequence of this is a loss of governance capacity, and this is a greater and more prevalent loss than a monetary loss.



## References

- Aidt, T. (2003). Economic analysis of corruption: a survey. *Economic Journal*, 113 (issue 491), 632-652.
- Bozeman, B. (2007). *Public Values and Public Interest Counterbalancing Economic Individualism*. Washington D.C.: Georgetown University Press.
- Bracking, S. (2007). *Corruption and Development: The Anti Corruption Campaigns*. Basingstoke, Hampshire: Palgrave Macmillan.
- Cohen, L., & Felson, M. (1979). Social change and crime rate trends: A routine activity approach. *American Sociological Review*, (44) 588-608.
- Felson, M. & Boba R (2010). *Crime And Everyday Life* (4th Edition ed.). Thousand Oaks, California: Sage Publications.
- Friedrich, C. (1972). *The Pathology of Politics: violence, betrayal, corruption, secrecy, and propaganda*: New York: Harper & Row.
- Goldstein, H, (1990). *Problem Oriented Policing*, Philadelphia: Temple University Press
- Hors, I. (2001). Fighting Corruption in Customs Administration: What can we Learn from Recent Experiences? *OECD Development Centre* (175), 1-66.
- Huberts, L., Lasthuizen, K., & Peeters, C. (2007). Measuring Corruption: Exploring the Iceberg. in C. Sampford, A. Shacklock, C. Connors, *Measuring Corruption* (pp. 265-293). Burlington, Vermont: Ashgate.
- Johnston, M (2005) *Syndromes of Corruption: wealth, power and democracy* New York and Cambridge: Cambridge University Press.
- Key, V. O. (1958). *Politics, Parties, and Pressure Groups*. New York: Crowell.
- Klitgaard, R. (1991). *Controlling Corruption*. Berkeley, California: University of California Press.
- Langseth, P. (2007). Measuring Corruption. En C. Sampford, A. Shacklock, C. Connors, & F. Galtung, *Measuring Corruption* (pp. 7-43). Burlington, Vermont,: Ashgate Publishing Company.
- New York City Department of Investigation. (2009). *2009 Calendar Year-End Release*. New York: New York City Department of Investigation.
- New York City Department of Investigation. (nd). *Department of Investigation New York City*. Retrieved 19 April 2010, de <http://www.nyc.gov/html/doi/html/about/about.shtml>

- New York State Organized Crime Task Force. (1990). *Corruption and Racketeering in the New York City Construction Industry*. New York City: New York University.
- Rose-Ackerman, S. (1975). The economics of corruption. *Journal of Public Economics*, 4(2), 187-203.
- Rose-Ackerman, S. (1978). The Political Economy of Corruption, *Corruption and the Global Economy* (pp. 31-60). Washington D.C.: Institute of International Economics.
- Rose-Ackerman, S. (1999). *Corruption and Government: Causes, Consequences and Reform*. Cambridge and New York: Cambridge University Press.
- Seidman, H. (1941). *Investigating Municipal Corruption A Study of the New York City Department of Investigation*. New York City: Institute of Public Administration, Columbia University.
- U4. (nd.). *Corruption Glossary*. Retrieved 20 April 2010, from U4 Anti-Corruption Resource Center: <http://www.u4.no/document/glossary.cfm#fraud>
- United Nation's Development Programme; Global Integrity. (2008). *A User's Guide to Measuring Corruption*. Oslo: United Nation's Development Programme.
- Uslaner, E.M. (2008) *Corruption, Inequality and the Rule of Law*, New York and Cambridge: Cambridge University Press.
- Werner, M. (1932). *Tammany Hall*: New York: Garden City Pub. Co.

## Tables

**TABLE 1 Summary of data (N= 72)**

<b>Category</b>	<b>Subcategory</b>	<b>Frequency</b>	<b>%</b>
<b>Initiating Offender</b>	Private person	38	52.8
	Public servant	34	47.2
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Beneficiary</b>	Private person	37	51.4
	Public servant	35	48.6
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Acting Alone or as Team</b>	Alone	57	79.2
	Team	15	20.8
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Kind of Public Servant Involved</b>	Inspector	36	50
	Low-level worker	16	22.2
	Supervisor	14	19.4
	Politician	5	6.9
	N/A	1	1.4
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Size of Bribe/Kickback (\$)</b>	0	1	1.4
	<100	11	15.3
	101-1,000	29	40.3
	1,001-10,000	8	11.1
	10,001-100,000	5	6.9
	100,001-1,000,000	7	9.7
	>1,000,000	4	5.6
	Unspecified	7	9.7
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Kind of Infraction</b>	Violating regulations	53	73.6
	Theft	13	18.1
	Abuse of political influence	4	5.6
	Theft/Violating regulations	2	2.8
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Sector</b>	Infrastructure	30	41.7
	Human Services	21	29.2
	Health and Environment	20	27.8
	Whole of government	1	1.4
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Process</b>	Violation of procedure	46	63.9
	Creation of opportunity	26	36.1
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Nature of Activity</b>	Controlling or implementing regulation	52	72.2
	Procurement and administrating contracts	14	19.4
	Stealing	4	5.6
	Appointing personal / expenses	2	2.8
	<b>total</b>	<b>72</b>	<b>100</b>
<b>Result</b>	Governance capacity loss	58	80.6
	Money loss	14	19.4
	<b>total</b>	<b>72</b>	<b>100</b>

**TABLE 2 Acting Alone or as Team (N=72)**

	<b>Alone</b>	<b>Team</b>	<b>Total</b>
<i>Process</i>			
Creation of opportunity	18	8	26
Violation of procedure	39	7	46
<b>Total</b>	<b>57</b>	<b>15</b>	<b>72</b>
<i>Initiating Offender</i>			
Private person	33	5	38
Public servant	24	10	34
<b>Total</b>	<b>57</b>	<b>15</b>	<b>72</b>
<i>Sector</i>			
Health and Environment	14	6	20
Human Services	15	6	21
Infrastructure	27	3	30
Whole of government	1		1
<b>Total</b>	<b>57</b>	<b>15</b>	<b>72</b>
<i>Result</i>			
Capacity loss	47	11	58
Money loss	10	4	14
<b>Total</b>	<b>57</b>	<b>15</b>	<b>72</b>

**TABLE3 Type of Public Servant (N=72)**

Type of Public Servant	Initiating Offender			Nature of Activity					Result		
	Private person	Public servant	<i>Total</i>	Appointing personnel / expenses	Controlling or implementing regulation	Procurement and administering contracts	stealing	<i>Total</i>	Governance capacity loss	Money loss	<i>Total</i>
Inspector	32	4	<b>36</b>		36			<b>36</b>	36		<b>36</b>
Low-Level Worker	2	14	<b>16</b>		12	3	1	<b>16</b>	14	2	<b>16</b>
N/A	1		<b>1</b>			1		<b>1</b>	1		<b>1</b>
Politician		5	<b>5</b>	2		1	2	<b>5</b>	1	4	<b>5</b>
Supervisor	3	11	<b>14</b>		4	9	1	<b>14</b>	6	8	<b>14</b>
<b>Total</b>	<b>38</b>	<b>34</b>	<b>72</b>	<b>2</b>	<b>52</b>	<b>14</b>	<b>4</b>	<b>72</b>	<b>58</b>	<b>14</b>	<b>72</b>

**TABLE 4 Capacity Loss/ Money Loss (N=72)**

	Result		
	Governance capacity loss	Money loss	Total
<i>Initiating Offender</i>			
Private person	38		38
Public servant	20	14	34
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Beneficiary</i>			
Private person	34	3	37
Public servant	24	11	35
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Acting Alone or in a Team</i>			
Alone	47	10	57
Team	11	4	15
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Kind of Public Servant</i>			
Inspector	36		36
Low-level worker	14	2	16
Supervisor	6	8	14
Politician	1	4	5
N/A	1		1
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Size of Bribe/Kickback (\$)</i>			
0 - 1000	40	1	41
>1000	11	13	24
Unspecified	7		7
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Kind of Infraction</i>			
Violating regulations	52	1	53
Theft	3	10	13
Abuse of political influence	1	3	4
Theft/Violating regulations	2		2
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Sector</i>			
Infrastructure	28	2	30
Human Services	10	11	21
Health and Environment	20		20
Whole of government		1	1
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Process</i>			
Violation of procedure	46		46
Creation of opportunity	12	14	26
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>
<i>Nature of Activity</i>			
Controlling or implementing regulation	52		52
Procurement and administrating contracts	5	9	14
Stealing	1	3	4
Appointing personal/expenses		2	2
<b>Total</b>	<b>58</b>	<b>14</b>	<b>72</b>