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## Crime, Poverty and Police Corruption in Developing Countries

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**WP 2008:7**



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Jens Chr. Andvig<sup>^</sup> and Odd-Helge Fjeldstad<sup>\*</sup>

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# 1. Introduction

Corruption is a pervasive and historically persistent part of many police organizations (Faull 2007: 1). It arises in the daily routines of the police. The police's right to use violence in order to achieve its bureaucratic aims influences its rent collection possibilities. Yet, research on the roles and behavior of the police has been almost neglected in development research. It has mainly been a matter of criminology. During the period of decolonization in the 1960s, however, observers and practitioners were acutely aware of the role of the police and judiciary for development. How eruptions of violence and development might be interlinked was a question of survival for old and new political elites alike. Social scientists applied 'modernization' theories to analyze these linkages. For example, they were subtly dealt with in Samuel Huntington's book, *Political Order in Changing Societies* (1968). Huntington tied together corruption and violence – thus, also the behavior of the police - to similar forces of deep economic and social change as Emile Durkheim (1897) once did for crime and suicide. Furthermore, the role of the police in India was the subject of an extensive modernization analysis by David Bayley (1969) in the volume *The Police and Political Development in India*.

More recently, extensive research has been conducted in areas relevant for the analysis of police corruption: (i) the economics of crime and corruption in general have gained increasing interest since the late 1970s; and (ii) the economics of armed conflicts started to grow around 1980.<sup>1</sup> There has been a particular focus on large scale civil war, but an important outgrowth has been the study of illegal markets and organized crime. One important result of this research is the demonstration that the optimal scale of organized crime units is clearly linked to police behavior, increasing with its degree of corruption and inefficiency (Reuter 1983).

The criminal justice system as it is known today evolved during the same historical period as the modern state arose (Newman 1999). This also applies to most police organizations. The police are everywhere a public, bureaucratic organization with clear hierarchic features and with the same core tasks although differing in details. This implies that observations and experiences from one country might be relevant for others. Well-documented case studies of corruption in police organizations in cities like New York, Los Angeles or London may prove more relevant for the understanding of police corruption in Mumbai or Jakarta than the striking differences in the surrounding poverty and efficiency levels would lead us to believe. Information on the internal organization of police corruption is not, however, in a form that easily allows cross-country quantitative comparisons.

How is police corruption linked to the wider processes of development – including crime, violence and poverty? Recently the degree of protection of property rights - widely defined - has been considered as a key institution and assigned large weight in determining economic growth rates (Acemoglu *et al.* 2001, 2005). The police, together with the courts, are the public institution most directly involved in determining and defending the actual distribution of property rights. Obviously, the police - as the most directly interfering among the repressive public institutions - may have strong impacts on interpersonal behavior and the *de facto* determination of property rights in any society through their ability to sanction and punish with or without basis in law.

Not only the actual degree of protection, but also the legitimacy of the actual distribution of property rights has been demonstrated to be important in economic development (*ibid*). Illegitimate distributions are usually also highly skewed and seem to have strong impact on crime rates, and,

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<sup>1</sup> Both build upon earlier extensions of economics, i.e. the economics of crime (Becker 1968) and the economics of organizations (Williamson 1981).

thus, on police tasks.<sup>2</sup> In the many slum areas of the poorer countries where the authorities are not in full control, the police's instruments of violence are often actively in use to determine the short run allocation of property rights, to collect taxes (bribes) and to overview law and order to the degree that it exists. Police corruption in these settings may increase the uncertainty of the property rights of the very poor, rights that often are threatened by semi-legal actions of the well-off as well as by actions of neighborhood criminals. To disclose the connections between economic inequality and economic growth is a key and persistent theme in economic development research. Again, the police are an important link in an institutional nexus now considered key to development.

Another important transmission mechanism that links police behavior to development is working through crime. High crime rates may have devastating impacts on investments and economic growth. Countries with high crime rates often find it difficult to attract, retain, and expand private investment.<sup>3</sup> In addition to deterring investments, crime has direct costs on firms (and households) through theft losses and in security-related expenses, which translate into reduced competitiveness and lower investment (sometimes even disinvestments). One of the key difficulties when relating police corruption to crime rates, however, is that it together with the overall police efficiency may have significant impact on crime statistics. It influences both the public's and the police's reporting of crime.

The main purpose of this paper is to explore and clarify the relations between police corruption and the more fundamental welfare-shaping processes in poor and semi-poor countries. We will mainly examine the roles of the police and its task structure in areas where the political leadership of a country is not physically threatened, but where corruption is extensive in the government apparatus. When physically threatened, a more explicit analysis of the police's political roles is required.

The paper is organized as follows: Section 2 starts out by establishing a working definition of police corruption, which includes acts of extortion by the police. It also includes a brief discussion of data sources for analyzing police corruption. In Section 3 police tasks and their scope for corruption are addressed. Section 4 examines whether – and why - the police is more or less corrupt than other groups of public officials. How and why police corruption varies across countries are examined in Section 5, followed by a discussion in Section 6 of the wider impacts of police corruption on development. Section 7 concludes by exploring policy measures to address police corruption.

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<sup>2</sup> Some research has been done that links crime and violence to economic inequality (Bourguignon 1999).

<sup>3</sup> The World Bank's 'Doing business' surveys find that African business leaders are twice as likely to say that crime is a major impediment to investment than their peers in other parts of the world (World Bank 2007).



## 2. Police corruption: definitions and data

In this section we present a definition of police corruption, which is tailored to the phenomena we are focusing on. We will also briefly discuss properties of the data, including some of their weaknesses, which form the basis of the analysis. Evidently, the data contain large measurement errors, but we believe they present more valid information than the alternatives of aggregate governance indicators, official police registered crime statistics or the alternative of rejecting quantitative data altogether.

### 2.1 Police corruption defined

The police constitute in most ways a regular public bureaucracy. Police corruption should, therefore, for most purposes not be defined differently than corruption in general. The standard definition in the literature (Nye 1967: 416) embraces most conceivable forms of police corruption:

Behavior that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique), wealth or status gains.

For many purposes this definition is too wide and vague. A definition tailored to police behavior may be the following:

An act is *commercially corrupt* if a member of an organization uses his/her position, his/her rights to make decisions, access to information, or other resources of the organization, to the advantage of a third party and thereby receives money or other economically valuable goods or services where either the payment itself or the services provided are illegal and/or against the organization's own aims or rules.

Here we will look at the police in areas where the agents in public bureaucracies often have conflicting loyalties. If the police official is mainly serving the interests of his or her ethnic group, profession, friends or family, or any other form of external network of which the agent is a member, it is an act of relation-based corruption. Commercial and relation based corruption constitute corruption in the narrow or transaction based sense.

Second, an act represents embezzlement if a member of an organization uses his/her rights to make decisions, his/her labor time, access to information or some tangible assets of the organization to his own economic advantage, eventually to the advantage of some other member of the organization, in ways that are either illegal or against the organization's own aims or rules. Embezzlement might also be motivated to achieve the individual's standing in family-friendship networks.

Third, corrupt forms of extortions are predatory acts where an agent uses his/her position in an organization to make threats and thereby gains involuntary transfers of resources from individuals or outside organizations against the organization's own formally stated interest.<sup>4</sup> Among the non-

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<sup>4</sup> Many observers have pointed out that much of the police misuse of their instruments of violence is not instrumental at all, but rather expressive, expressing feelings of anger or fear. In that case the misuse of position is not corruption in our sense, but in practice it appears to be strongly correlated and difficult to disentangle from more instrumental use of violence and other forms of police corruption. In the investigation of police corruption in New York in the early 1990s the

monetized resource transfer is sexual 'services'. It embraces only rapes as related to the rapist's position in the organization.

Finally, police officials may engage in ordinary crimes such as stealing or sexual crimes when they are partly unrelated to his or her position as a member of a police bureaucracy.

While extortion plays a more important role in the police than in other bureaucracies, and is on the list of corrupt actions, it may be performed for 'Dirty Harry'- reasons, or for pure evil. In most cases extortion is combined with more or less complex forms of information management. The intention of the definitions is to focus on the workings of a police organization and how corruption influences it.

## 2.2 Data sources

In this study we will primarily use the so-called international crime victimization surveys (ICVS) or other forms of crime experience-related data (including corruption) when assessing crime levels.<sup>5</sup> Basically, these surveys report the households' experiences of crime the last year or during the last five years. The ICVS data, however, are surprisingly scanty and approximate, even for easily observable crime events. They are not produced annually for any country. Hence, when we compare crime victimization rates between two countries or calculate their average as part of a regional average, there may be huge divergences in time between when the observations were made. For instance, one set of observations may have been made a decade before the observations of another country. In developing countries the data are often based on samples from one city only. The data are not likely to be representative for the country as a whole. Most figures in the following sections must therefore be read as tentative suggestions about the crime situation in the country or region in question. The reason for referring to these data is that compared to the *alternative*, i.e. the police reported crime levels, the ICVS data have at least a plausible fairly direct relationship to reality. The possibility that answers to such questionnaires may contain a host of measuring errors, is obvious, however. But we know that the data based on police reported crime are misleading. Their use has already caused substantial misunderstandings about the relationship between crime and development.

Another source of data we use is the so called 'diagnostic' corruption surveys initiated by the World Bank Institute (but sponsored and implemented by several other institutions). They have only been conducted in a few countries.<sup>6</sup> Fairly small samples of households, enterprises and public officials have been asked about their experiences with and perceptions of various corruption-related issues. While the 'diagnostic surveys' appear to be of uneven quality and only a few are comparable, they yield indicative results about differences in behavior across groups of public officials. The same applies to the recent 'Global Corruption Barometers' initiated and published by Transparency International.<sup>7</sup> However, the latter does not control for the different interaction frequencies between households and various public sector agencies and officials. We will also refer to the Afrobarometer-surveys.<sup>8</sup>

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Mollen-commission (1994: 46) found that the group of corruption suspects on average had five times so many allegations of unnecessary use of force as the non-suspects.

<sup>5</sup> <http://www.icpsr.umich.edu/cocoon/ICPSR/SERIES/00175.xml>

<sup>6</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXTWBIGOVANTCOR/0,,contentMDK:20726148~menuPK:1928498~pagePK:64168445~piPK:64168309~theSitePK:1740530,00.html>

<sup>7</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/gcb](http://www.transparency.org/policy_research/surveys_indices/gcb)

<sup>8</sup> <http://www.afrobarometer.org/surveys.html>

### 3. Police tasks and their scope for corruption

The police as a public bureaucracy has (a) the right to apply legitimate means of violence to control the movement of groups and individuals within a set part of space according to a set of rules. To effectuate that control it has to (b) perform systematic monitoring of urban and rural space. However, it is not supposed to control large-scale, armed groups, although paramilitary sections of the police may deal with medium-sized ones. This section outlines the major roles of the police, the tasks they do and how corruption may enter during the performance of policing.

#### 3.1 The police as service provider

The police are a public and formal organization. Most of its daily tasks are ideally directed towards serving ordinary citizens and provide them with security of life and personal property against potential threats from others. Some of these tasks are specified further in this section. A key task is to prevent the members of the public to inflict harm on each other through actions of violence and theft (e.g. assaults, rape, robbery, pick-pocketing, and burglaries). These are criminal acts with clear *victims*. In practice, most of the regulation is taking place *ex post* through the apprehension and punishment of the harm-doers, but an important aim is that this will also reduce the incidence of crimes.<sup>9</sup>

The police are also supposed to monitor laws where their violation does not create immediate harm to any victim, so called *victimless* crime. The typical case here is markets that are branded illegal by the law, such as drugs, sexual services and gambling. Illegal markets give scope to economies of scale in crime and therefore organized forms of crime. An important role of the police is to keep the scale economies low.

The police are supposed to bring forward *information* about crimes that can determine the exact state of violation and the likely perpetrators if the case is brought to court. When there are no immediate victims and all the individuals involved in a criminal act have advantage of it, they will not report it. The police itself must investigate whether a criminal act has been performed and generally engage in more active information search in order to have any impact on victimless crime. Therefore, the corruption risks here are exceptionally high.

The number of crime cases will normally be in excess of capacity even when the court's standards of proof are lax. The police participate in most *rationing* systems for the caseload of the courts and may profit on that. The court's standards and procedures may have other feedback effects on the behavior of the police. For example, if courts are corrupt and their decisions are sold and bought, the strategic situation of the police, and its prospects for gaining income corruptly, will be profoundly influenced.

The most visible task of the police is to have *physical* control of suspected perpetrators till they are transported to separate prisons where they may be more easily controlled. The degree of outside (often court) insight into this imprisonment has also important impacts on the potential of police corruption.

It is the police's possession of instruments of force that is its distinguishing characteristic. The police's use or non-use of physical force may have important impacts on society. Since both the use and the threats of using violence may act as strong incentives, the police may apply them both as

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<sup>9</sup> In addition to state or municipal monitoring various forms informal monitoring of individual transgressions take place, some complementary (e.g. neighborhood watches) and some competing (e.g. warlords, mafias) with the state.

instruments in preventing crime, in simple extortion, or in more complex corrupt strategies of information handling and interaction with citizens.

### 3.2 The police as elite defender

The second major role of the police is to protect the political elite against potential, larger scale violent actions directed against it or indirectly challenging it.<sup>10</sup> Closely related are police efforts to contain (or participate in) violent behavior in high- violence areas. In many countries this task is mainly latent, but even in politically stable countries it becomes visible in slum areas or during political demonstrations and similar events. While latent, it implies that the political elite must take a keen interest in police organizations and their leaderships. Crime rates and crime statistics are generally politically sensitive issues.

The knowledge within the police that it has the particular task of defending the elite will often have major impacts on its behavior. Like any other bureaucracy the police is sensitive towards even informal signals sent by superiors. In the case of serious corruption at the political level, the police are likely to be involved, if not directly so indirectly by protecting the elite against prosecution. The degree of legitimacy of the regime to be defended will often have strong implications for police behavior and the degree of force it metes out.

### 3.3 Organizing principles of police tasks

When comparing police corruption between countries we should note that all police tasks as defined here may be allocated to the police proper or may be divided between different institutions: traffic police, customs, immigration authorities or tax collecting agencies. Typically, customs officers may have some police, some tax collecting and some health inspection tasks. When comparing corruption levels of the police across countries, the fact that the detailed task distribution may differ must be kept in mind.

Almost equally important as a distinguishing characteristic of the police in both peaceful and more violent settings is its *spatiality*. Monitoring the many different forms of crime implies some form of (weak) control of space. Localized crime spillovers and wide dispersion of crime rates across different geographical areas tend to make the core of the police to be organized according to geographical, not functional principles. Rural and urban crime patterns and policing issues, for instance, are normally very different. Textboxes 1 and 2 provide some examples of how this monitoring of space gives rise to rent extraction possibilities for the police:

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<sup>10</sup> A typical example of the latter in the case of politically stable countries is the gang 'controlled' areas of some US cities.

**Box 1. Police extortion in rural Cambodia**

The family of Mr. Wan in rural Cambodia has 10 children. The family owns a small boat, but not the land where their house is located. Mrs. Wan tells that sometimes the police arrive when her husband is out fishing and she at times feels forced to give them money, although they do not explain why they are visiting her. But she pays out of fear of losing the boat, a fear the police are aware of. Evidently the police are able to collect very detailed information and are able to monitor very closely the rural space of which they are responsible for in order to find the vulnerable Wan-family, and visit it at the exact right time in order to 'milk' it in the way described.

*Source:* Nissen (2005: 65-66).

**Box 2. Police extortion in urban India**

These stories from a slum in New Dehli are reported by the newspaper *The Hindi* (10 May 2003). They show that systematic police monitoring of the urban space to acquire information about crime (e.g. illegal immigration) also gave scope for profitable police corruption:

Officials of the Slum and JJ Department of Municipal Corporation of Delhi and the 'mukhbirs' (informers) of the Delhi police are literally fleecing the poor living in dingy and shanty jhuggis of one of this largest slum clusters of the Yamuna riverbanks.

"They [the police] have made our lives miserable. We do not know when we will be thrown out of our jhuggis. Officials of the Slum Wing and 'mukhbirs' of the Delhi police land up any time and demand money. They threaten us that if we do not pay, they would brand us as Bangladeshis and throw us out of our jhuggis. Several people have been thrown out of their jhuggis along with their family members even at midnight," alleged Seema, a local community leader and a member of the Communist Party of India.

Giving a list of at least 60 jhuggis from where the occupants have been thrown out by officials of the Slum Wing and 'mukhbirs', Seema claimed that almost all of them have been resold at a premium. "If anyone dares to protest or lodges a complaint, he is harassed by the police and arrested", she said. "We are living under the terror of mukhbirs and Slum Department officials."

"Last week my clothes were torn apart by one of the mukhbirs after my husband could not pay the money demanded by him. Then we were taken to the police chowki where we were told that we will be deported as we are Bangladeshi citizens. We were allowed to go free only after we sold the rickshaw we had and paid the money to the mukhbir. My jhuggi is still to be desealed", said Shakina Begum with tears in her eyes. Similar is the story of a large number of people staying in these slum clusters, the majority of whom are from a particular religious community. "Concerned officials are taking advantage of this very fact. If we are Bangladeshis, we should be deported. If we are not, then why are we being harassed", asked Zamruddin, who was badly beaten up by a 'mukhbir' last week. "What is more worrisome is that these informers of the police are acting as policemen", Ms. Seema alleged.

*Source:* *The Hindi* (10 May 2003).

With regard to the handling of violent areas and situations, the importance of the violence and spatial characteristics of the police becomes even more apparent than under stable conditions. As violent conflicts shift in intensity and scale, the role of the police and the police organization itself may be substantially modified. In many countries the police have paramilitary divisions or paramilitary organizations that are assigned to handle the intermediate scales of conflict. But at the high scale end of violence it will be the military that has the main responsibility to defend the political elite against potential rebels, and the roles of the police will again change as it will be subject to coordination with the military. The role of the police in full-scale civil wars is obviously most important in their build-ups and aftermaths.<sup>11</sup>

### 3.4 Typical corrupt police-citizen transactions

Police corruption has many faces. Based on research from a number of countries we may establish a typology of corrupt police acts:

- A) Pure extortion: The police may *arrest people they know are innocent* threatening them or beating them and then release them against payment. The payment may sometimes be in forced sexual services. This is a pure extortion case. It is easier to perform when the police have great freedom to arrest and temporary jail suspects independent of the courts. 'Suspects' may, however, also be apprehended in the field, beaten and forced to pay in order to get out of that situation before a formal arrest. If the police are given substantial freedom to temporarily arrest people, this form of extortion may be performed with ease even in the police-managed jails. A 'classical' case of extortion is to inflict harm against establishments or individuals that are unwilling to pay (illegally) the standard rate for police protection.
- B) Extortion with the involvement of courts: If the courts have to get involved, the *extortion of innocents may often be combined with fraud*, e.g. forging of the evidence sent to the courts. A classical case is when the police plant evidence, 'flaking', for example by putting heroin in the pocket of the suspect (see e.g. Knapp 1972: 103). Individuals who are in a weak position either because of former criminal record or being a member of a politically weak ethnic group, are exceptionally vulnerable. The worse the reputation of the police and courts, the greater, presumably, is the willingness to pay. The negative consequences of these forms of police corruption for the distribution of justice and citizens' feeling of security are obvious.
- C) Corrupt transactions: These are cases where the police *illegally sell decisions or information* that are to the advantage of individuals who are guilty in a crime. This may be warnings about planned police inspections of illegal establishments, bribes to avoid a traffic charges for violations committed or 'sales' of decisions not to register a crime. When prostitution is illegal, prostitutes may pay with sexual services in order to avoid arrests.
- D) Mixed extortion and bribery: If the police confine a known criminal and/or beat him up in order to increase his willingness to pay for avoiding prosecution, bribery is mixed with extortion. This way of *keeping committed crimes outside the public jurisdiction of the courts* is particularly important in the case of 'victimless crime'. Then no one will complain if the case rests with the police. When the criminal in question performs a more or less continuous stream of criminal acts, the threat of arresting if not paid, can be classified as a form of extortion or illegal taxation. Alternatively, it may be considered

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<sup>11</sup> The role of the latter is underlined by present developments in Afghanistan. A key worry of the international forces in Afghanistan, is that when they have cleared an area for major Taliban forces and return the area to the control of the Afghan police, the latter are too weak militarily and too corrupt to hold the area, and Taliban reappears (David Rohde: 'Afghan police are set back as Taliban adapt', *New York Times*, September 2, 2007).

as a 'regular' form of corrupt transactions where the police sell the capital value of its decision not to arrest as the bribe. The most visible form of police corruption, the open *collection of bribes by the traffic police*, is mostly observed in low income countries. Here the bribes for not charging the guilty are mixed with extortion paid for not charging the innocent in the same stream of corrupt charges.

- E) Embezzlement: Policemen and women may *embezzle funds or record time off as hours worked* - like agents in most other organizations, but they have larger opportunities, particularly at the front level. This is reported in a number of public commissions. Embezzlement is *often combined with theft*. When arrested, suspects have to deliver their valuables into police custody. The arresting police may use their position to steal some of these valuables. This is particularly easy in the case of stolen or illegal goods, since the crime suspects then are not in a position to raise public claims. Even if they do object, the police have the advantage that criminals' claims have lower credibility. Through their fighting or interaction with criminals and criminal organizations, and through their monitoring of urban and rural space, the police acquire information about potentially profitable opportunities of crime. If a policeman acts on this information and performs the crime on his own (e.g. burglary), he will in addition have embezzled the information acquired through his position for his own or his colleagues' gain.<sup>12</sup>

### 3.5 Typical internal police corruption procedures

Police corruption can be broken into a number of different, typical acts. When corruption is extensive and organized, the police will commonly develop procedures for transferring the corruptly acquired money upwards. Superiors may collect income upfront before the frontline has actually collected it, by renting out promotions and postings, particularly postings with high (illegal) income potential.<sup>13</sup> In more decentralized systems they may also get actively involved in the actual collection of illegal income.

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<sup>12</sup> A famous case (the 'Ramparts' scandal) took place in Los Angeles in 1997 when a police officer joined in the robbery of a branch of Bank of America. His role was discovered and it led to extensive investigation of different corrupt police networks, particularly elite ones that dealt with drug and gang investigations. The activities have been described in several public reports, for example, the report of the Park Commission (Park 2000).

<sup>13</sup> In a small survey from Bihar where the opinions of 300 Indian police officers were collected, 62% believed that "the superiors use their subordinates to earn illegitimate income for themselves" (Sharma 2002: 219). The classical analytical description of an upward transfer system of bribe incomes within a South Asian bureaucratic context is Wade (1982), which provides a detailed account of corruption in canal irrigation schemes in South India.

## 4. Are the police more corrupt than other public officials?

It is not obvious that corruption rates are separated more sharply by national borders than by professional lines. In this section we will mainly compare police corruption with corruption in other public bureaucracies within the same country. In a globalized world with extensive international contacts we may expect considerable spillovers across borders between public health officials, central bankers, customs officers and police officers, at least at the higher rank levels. The restraints facing a police officer in Nairobi may be more similar to the restraints of a police officer in New York than the restraints facing a teacher in Mombasa.

### 4.1 Are the police exceptionally corrupt? Some evidence

The variation in corruption rates between professional groups of public officials is considerable, and appears relatively invariant across countries at similar income levels. Some public sectors appear more exposed to corruption than others at all income levels. For instance, in almost any country we find that public procurement (especially defense procurement), building- and land-use regulation agencies are more exposed than other parts of the public sector. Here, politicians are often involved.

The daily illegal charges levied on households and enterprises, however, are mainly phenomena of low income countries. This means that corruption in sectors like health, education and, particularly, the police are different in rich and poor countries. But, among the low income countries a fairly consistent pattern emerges.

Police corruption may be compared to corruption in other agencies simply by asking respondents in different countries how corrupt they perceive the police to be compared to other groups. This has been done by Transparency International (TI) and is published in their Global Corruption Barometers (TI 2004, 2005, 2006 and 2007). The question asked is: "To what extent do you perceive the following sectors to be affected by corruption? (1: not at all corrupt, ..., 5: extremely corrupt)". Table 1 summarizes the results. The table includes the police, the judiciary, politicians and educators:

**Table 1. How corrupt are public officials perceived to be? Regional distribution 2006**

	<i>Political parties</i>	<i>Police</i>	<i>Legal system judiciary</i>	<i>Educational system</i>
Africa	4.2	4.6	4.0	3.8
Asia-Pacific	4.0	3.8	3.3	3.1
South East Europe	4.0	3.9	4.1	3.8
EU and other Western Europe	3.7	2.7	2.9	2.3
Latin America	4.2	4.2	4.1	3.0
North America	4.2	3.1	3.5	2.9
Former Socialist States	3.9	4.1	3.9	3.8

Source: TI (2006): Table 6



In most high income areas, political parties are considered to be the most corrupt, while the police often are held in high regard.<sup>14</sup> In most developing countries, however, the police is *perceived* as one of - if not *the* most - corrupt public bureaucracy (TI 2004, 2005, 2006). Furthermore, in the 18 African countries where group specific perceptions about corruption are registered in the Afrobarometer-surveys (rounds 1 and 2), the police is ranked as the most corrupt in 14 countries, in three countries tax officials were ranked at the top, while only Cape Verde considered politicians as the most corrupt officials.

This difference in perceptions may reflect the fact that street level corruption among police officers is rare in most developed countries, but common in most developing countries, as reflected in crime victimization statistics from UNICRI and in TI's Global Corruption Barometers.<sup>15</sup> In the 2007 Global Corruption Barometer the households' experience rates with different public agencies are summarized for all countries in the survey (TI 2007: 6). The bribe frequency of citizens having had contact with the police (about 16% - 17%) was more than twice as high as for educational and medical services. TI does not report the frequency of encounters. Table 2 provides a more detailed picture based on a number of diagnostic reports.

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<sup>14</sup> In some Scandinavian countries, deservedly or not, the police is even considered to be one of the most - if not *the* most - trustworthy public organization.

<sup>15</sup> Exposing these data to statistical tests, Weber Abramo (2007) finds that a breaking point in behavior, i.e. when petty corruption recedes, takes place at an average income level around USD 10,000 per capita.

**Table 2. Some observations on bribery in household – official interactions**

Country	Year	Sectors	Frequency of interaction %	Frequency of bribing given interaction	Bribing frequency
Bangladesh*	2002	Police*	10	84	8.4
		Courts/judges	8	75	6
		Education (adm.)	65	10	6.5
		Health (admission)	61	48	29
Cambodia**	2000	Police*	26	85	21
		Courts/judges	8	68	8
		Education	63	41	24
		Health	52	57	28
Cambodia***	2005	Police*	16	58.5	9
		Courts/judges	1	100	1
		Education	72	33	24
		Health	31	13	4
India*	2002	Police*	4	100	4
		Courts/judges	3	100	3
		Education (adm.)	23	18	4
		Health (admission)	32	20	6
India'	2005	Police*	15	80	12
		Courts/judges	13.4	47	6.3
		Education (adm.)	40	18	7.2
		Health	55	26.5	14.6
Nepal*	2002	Police*	7	48	3.4
		Courts/judges	5	42	2.1
		Education (adm.)	85	7	6
		Health (admission)	72	8	6
Pakistan''	2006	Police	42.4	90.2	38.3
		Courts/judges	8.7	77.5	6.7
		Education	***	***	2.1
		Health	8.2	67.2	5.5
Pakistan*	2002	Police*	32	100	32
		Courts/judges	6	96	5.8
		Education (adm.)	11	71	7.8
		Health (admission)	100	65	65
Thailand'''	2000	Police*	29.2	8.5	2.5
		Courts/judges	***	***	***
		Education	32.4	1.5	0.5
		Health	61.8	0.7	0.4
Sri Lanka*	2002	Police*	36	100	36
		Courts/judges	6	100	6
		Education (adm.)	14	55	7.7
		Health (admission)	100	18	18
Sri Lanka''''	2007	Police*	21.7	17	3.7
		Courts/judges	7.4	5.9	0.4
		Education (adm.)	11	10.1	1.1
		Health	66.4	5.7	3.8
Ghana	2000	Police	23.1	74.0	17.1
		Courts/judges	8.4	52.8	4.4
		Education	45.1	23.9	10.8
		Health	64.5	30.3	19.5

Sources: \* TI (2002); \*\*World Bank (2000); \*\*\*Center for Social Development (2005); 'TI India (2005, various volumes); ''TI Pakistan (2006); '''Phongpaichit *et al* (2000); ''''Centre for Policy Alternatives (2007).

We note that in 11 of the 12 investigations reported in Table 2, the police have the highest frequency of bribing given an encounter with a household.<sup>16</sup> The encounters between households and the police are normally rarer than their meetings with the educational or health systems, however, but more frequent than encounters with the court. Hence, the number of bribes paid to the health and education officials may sometimes be higher, and since the bribes paid to the courts tend to be exceptionally large, the latter may cause the largest bribe expenses.

The large variation in the interaction patterns and bribe frequencies between the reports summarized in Table 2, even for the same country, suggests large measurement errors. In some cases the incentives to over-report corruption appear to have been strong. The relative standing of police corruption is confirmed in a methodologically sound empirical study of the distribution of corruption propensities across different agencies in Peru (Hunt 2006). Hunt's analysis is based on a large household survey. By asking more detailed questions about their interactions, the survey also allows us to address the question "why are some public officials more corrupt than others?" in a more satisfactory way than other surveys known to us. The household is not only asked which organization they had to bribe, but about *all* the transactions they had with any of the listed public agencies. They were then asked about which of these transactions they had concluded with a bribe, and the size of the bribe.

Hunt finds that *the police and the judiciary are clearly the most corrupt agencies* in Peru. While interactions with the police constitute only about 2% of the total official-household interactions, the police participated in 35% of the households' bribe transactions. The transactions with the judiciary also constitute 2% of the total transactions, but about 12% of the corrupt ones. The bribe fees of the judiciary are exceptionally high. The judiciary received 42% of the total bribe income, while the police received 27%. This implies that the judicial sector is involved in about half of all bribe transactions and receives more than two third of all bribe income from the household street level corruption.<sup>17</sup> In comparison, state schools are involved in 21% of all household – public official interactions, but only in 8% of the corrupt ones. State hospitals are involved in 13% of all transactions and 4% of the corrupt ones. This implies that if you engage with the police, the likelihood that you will pay a bribe is 46 times larger than if you transact with a school official - at that time in Peru.

The survey from Peru does not cover business corruption, high-level corruption or most of the transactions with organized crime. Nevertheless, the judicial sector, including the police, is clearly the most corrupt public sector in Peru and probably also in most other lower income countries.

## 4.2 Why are some types of public officials more corrupt? Supply side explanations<sup>18</sup>

We are not aware of many scholarly attempts to answer this question, but one is made by Recanatini *et al.* (2005).<sup>19</sup> Her analysis mainly emphasizes the supply characteristics of different public

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<sup>16</sup> One exception is in the study from Cambodia (Nissen 2005), where the judiciary has the highest corruption rate, but the number of judiciary-household interactions are low here.

<sup>17</sup> Enterprises were not involved in the survey.

<sup>18</sup> The use of what is 'supply' or what is 'demand' in the corruption literature may be somewhat arbitrary. Here we follow standard economics in the sense that we consider the agent who supply a real service as the supplier, not the agent that supplies the payment (in this case the bribe). This does not fit well in the case of extortions or embezzlements, but in these cases we may look at the public agency as the one that has allowed these acts to happen.

<sup>19</sup> The authors' use the World Bank Institute's surveys of public officials from a number of countries in Africa and Latin America. The main ideas of these surveys, which contain a wealth of information about corruption, are presented in

agencies: are decisions audited, procedures open and transparent, and personnel chosen on the basis of merit? It is also significant whether the top manager of the bureaucracy has been popularly elected or not. Other aspects are also explored, however: Are its clients mainly households or businesses, its services exclusive or not? The corruption assessment as well as the information about monitoring systems is based on surveys of the public officials' opinions.

Recanatini *et al.* (2005) find corruption to be higher in organizations where audits of decisions are not regular, procedures are not transparent and employment and promotions not based on clear criteria. If the top manager is popularly elected, corruption increases directly and the monitoring system weakens, inducing increased corruption. Corruption also increases when the public organization is a service monopoly and mainly deals with business and not private citizens. Corruption in public procurement is found to be the most serious and frequent.

These factors give some, but not strong reasons to expect the police to be exceptionally corrupt: We may expect it to be less transparent than other public agencies for security reasons. It has service monopoly in most areas for meting out violent action. While police chiefs are rarely popularly elected in a direct way (local police in the US police system is the most well-known exception), they are often appointed directly by the top political leadership. Neither did the authors find the judiciary (including the police) exceptionally corrupt.<sup>20</sup>

If the political leadership is physically challenged, the appointment of police leadership will become strongly political and the supply mechanisms outlined by Recanatini *et al.* (2005) may become strong. Since the police are more directly involved in the regime's defense, the political leadership may allow it more freedom in cashing in on its corrupt income opportunities compared to other groups. The variation in regime legitimacy may have great power in explaining variation in police corruption across countries, but will be not pursued here.

The so called 'code of silence' in the police has been invoked. Such codes seem to evolve strongly in professions that handle dangerous situations where mistakes are easily made. Benoit and Dubra (2004: 787) seek to explain "why law-abiding policemen defend those who have broken the law?" In a number of accounts of particularly corrupt police agencies, they demonstrate that most honest cops have protected illegal behavior of their colleagues or even participated in the bribe collection although their felt moral costs have been higher than their economic benefit. The police wall of silence has its counterpart in the Mafia code of silence.

Benoit's and Dubra's explanation relies on a situation where it is difficult for both insiders and outsiders to discriminate between good or bad actions. Honest cops may easily be punished by their colleagues' 'bad' behavior. If not supported by colleagues, you may be exposed to extreme danger.<sup>21</sup> Hence, the distribution of the police officers who initially accept to engage in corrupt transactions may not be higher than for other agencies, and still a group of policemen may have higher propensity to engage in bribe transactions than corresponding groups of other public officials.

An important aspect of police work that has been pointed out in number of studies, which may easily give rise to highly corrupt behavior, is the difficult task to monitoring the frontline officers of the police compared to other public officials (e.g. Ivkovic 2005: 89). Since they may move freely

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Manning *et al.* (2000). As pointed out in Recantini *et al.* (2005) this source has been underused in empirical corruption research. However, this series of surveys appear to have been discontinued.

<sup>20</sup> The police are included in their definition of the judiciary. But it is not clear from their paper to what extent regular police organizations were involved in these surveys.

<sup>21</sup> Other explanations that build more explicitly on the dangers the police are exposed to may prove more valid. At this point it is sufficient to note that a 'blue wall of silence' exists and will influence the corruption propensity of the police.

around in space (within their set district) it is impossible for their supervisors to follow them all. In contrast, teachers and medical personnel normally work in set localities. Moreover, this gives scope for corrupt police to roam about and search more freely for corrupt opportunities. Thus, with a similar fraction of corrupt officials, the fraction of corrupt police transactions may be expected to be higher than for a public bureaucracy of the waiting-line type.

To compare corruption frequencies purely from the supply side, we may estimate the fraction of corrupt officers to the total number of officials in each public sector. We are not aware of any attempt to do so, but Ivkovic (2005: 46) reports from a number of case studies of the police from the US (Boston, Chicago and Washington), which report on it. A surprisingly large fraction - between 17% and 24% - of the police officers had been involved in economic crimes.

### 4.3 Why are some types of public officials more corrupt? Demand side explanations

Different groups of public officials either meet different groups of clients (citizens, organizations etc.) or clients in different situations. Hunt (2007) outlines one mechanism that works mainly on the demand side. She notes that whenever a person is exposed to a mishap of some kind or another, the need to contact a public official increases. The person may also become more vulnerable to extortion.

The health sector and the police services meet people frequently in mishap situations. Hence, they should be more exposed to corruption than, for instance, schools or postal services. In quantitative terms, however, Hunt (2007) finds police corruption to be most significant. She explores the theory on the basis of two sets of data. One set is the ICVS data (where the rich countries have been 'thrown out'), which only allows the study of the effects of crime mishaps on corruption. The second is the large data set from Peru where other mishaps that hit the household are recorded: the loss of job, death in the household, natural disasters, etc.

Among the ICVS households (there are 37 countries in Hunt's sample) the bribery rate was 19% among the crime victims and only about 7% for non-victims. In the Peru sample, the victims of nine different mishaps had a bribery rate of almost 9% while non-victims had a bribery rate of 4%. Households exposed to crime, shop bankruptcy, fire of the house etc. were roughly involved in three times as many bribery episodes as their share in the total sample of interactions. The bribery rate of 'death of earner', 'desertion of household head' and 'serious illness/accident' households was less, but still twice the rate of a 'non-mishap' household.<sup>22</sup>

Another plausible 'demand' side mechanism (Hunt 2006: 345) is rooted in the fact that a large share of the police's 'clients' are criminals who may be expected to have less qualms about getting involved in additional illegal transactions, e.g. corruption. A general fear of the police may induce citizens to propose bribes when no bribes are demanded.

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<sup>22</sup> Note that when comparing the ICVS data with the Peru sample, all kinds of apparent inconsistencies arise. For example, in the ICVS survey Peru is listed among the countries that have a crime rate above 40% (van Dijk 2008: 52) while Hunt (2007, table 2) reports a crime rate from Peru of 3.4%. A strange feature of the ICVS questionnaires is that the different crimes reported increase the bribery rates related to each of the other types of officials with about the same rate as it did for the police. This aspect of the ICVS data may have stimulated the 'mishap' theory. Again the Peru-data appear more consistent. When Hunt's (2007) whole battery of control variables is included it is mainly the bribes related to the police and the judiciary that increases with crimes.

## 4.4 Police corruption and its transaction structure

Variation in corruption frequencies across different public sectors may be explained from their 'market' structure: the different ways they may interact with the public. One important feature here is whether access to the official is determined by a *queue* or not.<sup>23</sup> And if so, how long and time consuming are the queues? Hunt (2006) explains much of the empirical variation of the bribery rates through the length of the lines, the value of the prize at the end together with the client characteristics. Obviously, the well-off clients are more likely to pay more frequently and to pay larger bribes in this situation.

The courts fit nicely in with this theory: The judiciary processes are exceptionally time-consuming, the outcomes often extremely valuable and the waiting time considerable. Recall that while the judiciary in Peru was only involved in 2% of the interactions with the households, it counted for 12 % of the bribery episodes and 42% of the registered bribe income (Hunt 2006). Moreover, Hunt (2008: 6) shows that the well-off pay significantly higher bribes to the judiciary (the average bribe increases from USD 11 in the lowest to USD 160 in the highest quintile). The judiciary also has the lowest conclusion rates: only 54% of the clients concluded their business with the judiciary within 12 months (Hunt 2006: 344). Furthermore, when being exposed to a crime, the clients not only increased their use of judiciary officials, they also had considerably higher bribery rates than other users of this public service (Hunt 2007).

While Hunt finds that the high incident of corruption in the judiciary in Peru fits in with her general theory that emphasizes relative delay, the police do not fit, however. In most respects the police are at the other end: their conclusion rate is high. Furthermore, crime victims did not have higher bribery rates compared to other users of the police. Becoming a crime victim only increased the probability of getting involved with the police and thereby in the high bribery rate among anyone involved with the police.<sup>24</sup> To explain the exceptionally high corruption frequency of the police-household interactions, we may look at a different aspect of the transaction structures. First, that the police can extort bribes from their own choosing, and, second, that a large share of their clients are criminals who presumably will have less scruples in engaging in criminal corrupt acts. Hunt's mentioning of extortion combined with the freedom the police have to initiate interactions, suggests that the immediate decisive factor is at the police end of the transaction. The fact that the police have legitimate instruments of violence is a key. If effective, extortion implies that every corrupt transaction that the police initiate may be completed.

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<sup>23</sup> Most public administrative processes have some queue characteristics even when no formal queue is organized: the cases have to be handled in a sequence, each case is time consuming. More often than not, the cases are organized in sequences where one office has to handle the case before the next one may do its work. At any point cases may wait in line. When outside clients are interested in the outcome they may be willing and able to pay in order to get ahead. Public officials internal to the process may neither have the incentive nor the ability to pay in cash to get their 'babies' ahead, but illegitimate bartering between officials is, of course, common.

<sup>24</sup> As pointed out in the first section, judiciary and police corruption are likely to interact.

## 5. How does police corruption vary across countries?

Jennifer Hunt's 'mishap theory' may explain both the cross-official-type and cross-country variation in police corruption. Variation in crime levels is an obvious candidate for explaining the latter. Nevertheless, there are reasons to expect that different mechanisms are at work. Some are likely to work mainly as spillover effects internal to the public sector and is likely to affect all public sectors, including the police, and vary from country to country. Others, like the poverty levels or attitudes to corruption among citizens will impact all bribery situations, including the ones with the police. This section examines different indicators and evidence to explain variations in police corruption across countries.

### 5.1 Indirect evidence and the role organized crime

Indicators of the general corruption rates at the country level may be applied as predictors of the levels of police corruption. Table 2 reports considerable cross-country variations. The data appear very noisy, however, but the intra-country variation between public sectors dominates, except for Thailand. Let us look briefly at some of the general indicators to complete the picture.

The World Bank Institute's 'control of corruption' indicator produces data about the aggregate perceived corruption level for almost every country in the world. However, a number of studies show that the WBI-indicators do not correlate well with the questionnaire-based data on petty corruption that is closer to most forms of police corruption, which we have otherwise used (e.g. Razafindrakoto and Robaud 2006).<sup>25</sup> Instead, let us consider the first column in the following table:

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<sup>25</sup> In a close-up study of TI's *Global Corruption Barometer 2004* Weber Abramo (2007) explores the data on experience and perceptions for the same sample of respondents from about sixty countries. He found that: (1) The respondents in his group of poor countries experienced ten times more often to pay a bribe than the respondents in the more wealthy countries. (2) The variations in GDP levels inside the group of wealthy countries vary strongly without affecting the (low) rate of experienced corruption, but correlates well with perceived corruption. (3) While the respondents in countries that have little experience have consistent views about the perceived extent of corruption and its effects, respondents in countries that had experience would tend to have inconsistent views. The upshot of his research is that it throws considerable doubts about the validity of perceptions about corruption as an indicator of its real world prevalence. Some of the reason for this observed lack of coherence between experience and perception may be due to weaknesses of the survey he uses (TI 2004).

**Table 3. Sub-regional distribution of street-level corruption, homicides incidence and perceived organized crime**

	<b>% of households paying bribes last years*</b>	<b>Organized crime perception index**</b>	<b>Homicide per 100 000 in 2002***</b>
North Africa	18.7	47	0.8
West & Central Africa	38.9	61	4.1
East Africa <sup>26</sup>	37.1	62	6.6
Southern Africa	11.7	59	31.5
North America	7.4	38	6.8
Central America	11.1	57	15.8
South America	16.3	63	15.5
East Europe	22.1	80	11.7
Southeast Europe	19	70	3.3
West & Central Europe	4.8	22	2.5
Near & Middle East	6	47	1.1
Central Asia	19.6	61	6.7
South Asia	23.1	61	5
East & Southeast Asia	9.4	47	2.7
Oceania	0.5	7	3.4
Caribbean	..	67	13.5
<b>World Average</b>	<b>16.4</b>	<b>53</b>	<b>8.2</b>

Sources: \* Figure 8.1 in van Dijk (2007); \*\* Figure 7.3 in van Dijk (2007); and \*\*\* Figure 4.1 in van Dijk (2007).

The first column reproduces ICVS-data on reported bribes aggregated to sub-regions. It reflects the extent of street-level corruption paid by households. The third column about homicide rates are based on reports from police or health institutions. The second column reports an indicator of organized crime developed by Buscaglia and van Dijk (2003). It is an indicator that may reflect more closely the extent of police corruption than the World Bank Institute's corruption perception indicator. Empirical studies of police organizations in OECD countries strongly suggest that their corruption has evolved in connection with pockets of organized crime.<sup>27</sup> Where there is little street level corruption to be observed, most police corruption will be tied to organized crime. Several indicators have been developed, including the one reported in Table 3.<sup>28</sup>

An effective and mostly non-corrupt police have proved to put effective brakes on the size and scope of organized crime (Reuter 1983). Empirical analysis of the development of highly corrupt

<sup>26</sup> The data for East Africa is not representative since an ICVS study made for Mauritius is included, and carries significant weight for this region's average.

<sup>27</sup> The relationship between police corruption and organized crime is expected to be closer in high income countries where street level police corruption, such as the extortion of road traffic, is relatively rare.

<sup>28</sup> The organized crime perception index (OCP) reported here consists in the averaging of two commercial indexes for a large number of countries, one based on the World Economic Forum's survey of international business leaders' perceptions of organized extortions, the other on judgments made by expert risk analysts at the Merchant International Group. It refers to the perception of activities like extortion and various forms of trafficking (arms, people, drugs). The correlation between these two perception indexes is quite high, according to van Dijk (2007). At UNICRI the OCP index was developed further by adding the rate of unsolved homicides, a corruption index, an instrument reflecting perceptions of the extent of money laundering and the Schneider estimates of the size of the informal economy. The resulting composite index of organized crime (COCI) is described in Buscaglia and van Dijk (2003). The principles of the index are clearly outlined in their article: The first outlines a large number of factors that may have impact on organized crime and then determines the effective components through a factor analysis. The result is reported in van Dijk (2007, Table 7.1) and appears to consist of the organized crime perception factor.



police units points to organized crime as a decisive influence.<sup>29</sup> If we had a good cross-country index of the extent of organized crime, we may get a usable index of police corruption for OECD-countries at the same time.

As reported in van Dijk (2007, Figure 7.5), organized crime and perceived corruption (WBI indicator) are strongly correlated across countries. Hence, these two indicators of police corruption appear to yield the same picture. This is in one sense reassuring and interesting – if we can trust that the indexes reflect the activities their wording stand for. Furthermore, the corruption index is closely correlated with the level of economic development, which may indicate that the levels of police corruption may either shadow the economic development or maybe play a role in it. Alas, we have strong reasons to doubt these assertions. By their very construction they are built to correlate.

## 5.2 Crime reporting

So far we have not referred to official police reported crime rates, since they appear to have only a weak relationship to the rates of experienced crime.<sup>30</sup> Nevertheless, police reported crime rates give interesting information. Rodrigo Soares (2004a, 2004b) interpret the difference between experienced and police reported rates of crime<sup>31</sup> as (i) signals about the state of economic development (Soares 2004a), i.e. the police in richer countries report a higher fraction of the crime; and (ii) as signals about police presence, institutional stability and perceived corruption levels (Soares 2004b). If a transmission mechanism from crime to corruption exists, it must involve the police. Hence, the observed discrepancy between reported and experienced crime may also yield a noisy signal about the level of police corruption.<sup>32</sup>

Crime reporting is obviously a complicated process. A fraction of crimes will be reported by the police itself through its monitoring of potential crime areas. Here the police organization itself plays a decisive role. The victim-initiated crime reports will normally constitute the large majority of cases, however. Here police behavior will only play an indirect, but important role as a rationing agent for the judges/court and by influencing expectations about the likelihood of catching the perpetrator and punish him. This again will be influenced by the victims' expectations about the efficiency and honesty of the police and the courts. In the extreme cases of police corruption, crime victims will have to consider whether the reporting of a crime will give the police an opportunity for extortion.

The outcome of such considerations may result in an attempted report, but the police might still not register it. If the police do not, it will not be registered in the official statistics of reported crime. Internal incentive systems will be important. Will the police organization be rewarded by the

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<sup>29</sup> Here we refer to studies of the New York police in the early 1970s and 1990s, the Los Angeles police from the late 1990s, and studies of the police in New South Wales, Victoria and Queensland in Australia. Importantly, it was probably the impact of organized crime that led to the development of the uncontrolled corruption in Hong Kong in the late 1960s and early 1970s (Klitgaard 1988: 98-100).

<sup>30</sup> The average correlation coefficient of official reported crime and experienced crime are only 0.22 for the four types of crime registered, ranging zero for burglary to 0.36 for robbery (see Gibson and Kim 2006: 2).

<sup>31</sup> Presumably and in fact reporting rates will vary between different types of crime. Soares (2004a, 2004b), like Azfar and Gurgur (2005), distinguishes between four groups of crime: Vehicle related theft; other theft; burglary and burglary attempts; and contact crimes, e.g. robbery, sexual assault, other assaults and violent threats.

<sup>32</sup> The research reported in this section is likely to become important for economic research on crime and for the consideration of whether and how crime (and therefore by implication police corruption) is tied to the really heavy and important processes in development. For example, was the common view that crime would increase with growth and with increasing inequality simply based on misinterpretation of crime report statistics? Was increasing crime rates not an important part of the high costs of inequality-based growth as estimated by, for example, Bourguignon (1999), after all? The data from the victimization surveys have to be considered if we may bring back crime into the wider field of development studies on a more solid empirical basis.

number of cases registered or by the ratio of solved cases? The behavior of the courts is also clearly influential. What are their standards of proofs? May they join in extortion schemes where crime is fabricated and/or known innocents convicted? Soares' (2004a, 2004b) data suggest that the police-registered crime reflects to some degree this whole web of influences.

Nevertheless, given a normal overload situation, it is the police that *ration* the set of cases. The police behavior is then decisive. Hence, the discrepancy between experienced crime rates and the police reported ones should reflect the behavior of the justice system and not the crime victims' behavior. Their reporting will adjust to their experienced rate of rationing.<sup>33</sup> In this light, Soares's main result that reporting rates are strongly correlated with development (and negatively with perceived corruption) appears rather reasonable. That applies also to his claim that the positive association found in the literature between crime and development has been mainly driven by this reporting error.

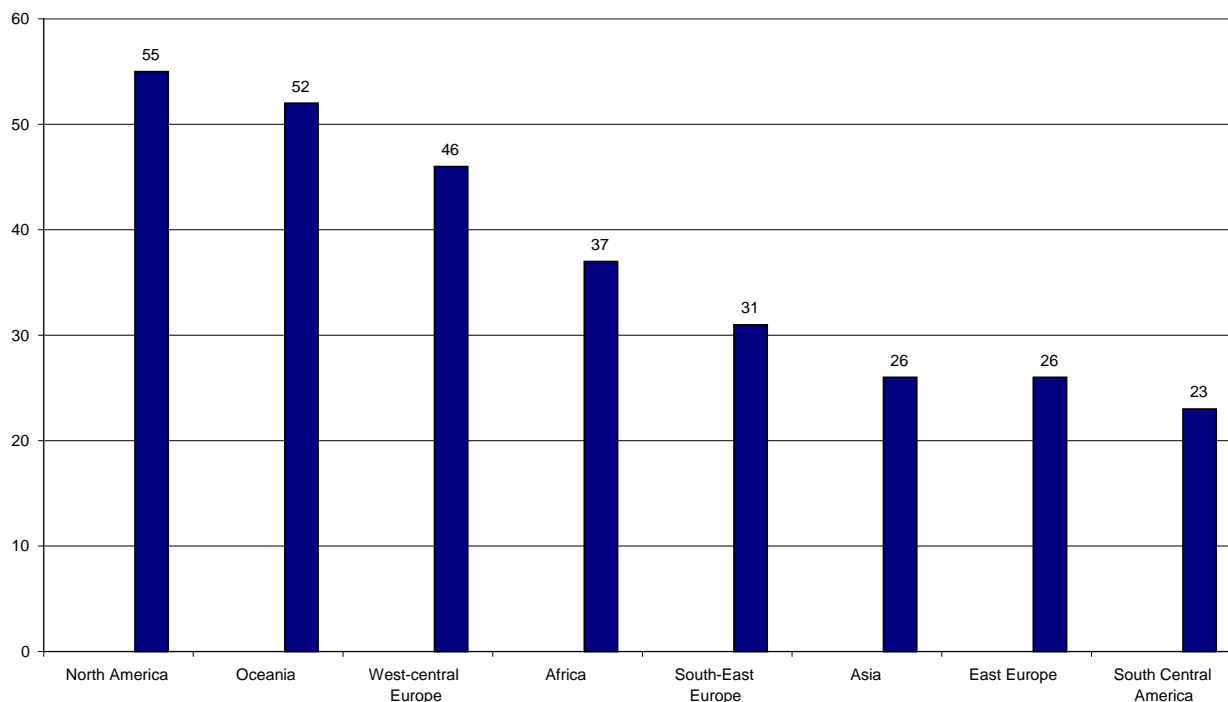
Still, his findings that national income levels (and by implication perceived corruption, and then also police corruption) have hardly any impact on the rates of experienced crime, appears somewhat counter-intuitive. The homicide rate is an exception. Another important result is that both economic growth and reduced inequality reduce experienced crime.<sup>34</sup> In addition to the benefits it could bring by itself, low-inequality growth improves welfare also through its reduction of experienced crime. He finds that education reduces theft and the number of contact crimes.

The crime victimization surveys contain not only information about the victims' experience of crime, but also whether they report it or not, and if not, why they did not? The victims' reports can be traced back to individuals and recorded characteristics of gender, age and (roughly) income levels. Presumably they reflect more of the respondents' considerations, and only indirectly the police behavior. Soares does not use this source of information. Azfar and Gurgur (2005) do so, however. They estimate the impact of governance on crime and crime reporting distributions. The reporting behavior of crime victims across the world is summarized in Figure 1.

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<sup>33</sup> The police's rationing behavior will be influenced by the court's rationing of cases. Therefore, it is the behavior of the whole justice system that determines the police reporting.

<sup>34</sup> Soares' (2004a, 2004b) use of panel data allows him to conclude that while the growth rate impacts on crime internally, the effects of inequality he is able to trace, is a cross country effect. That is, countries with high growth rates do not necessarily experience lower rates of crime. But if a given country starts to grow, its crime rates should on average go down. With inequality it is the opposite, or rather his data does not allow him to conclude anything if the inequality of a given country is reduced, only that countries with more inequality tend to have higher experienced crime rates.

**Figure 1. Share of crime victims who reported the offence to the police**

Source: UNODC (2005: 50).

The average rate for reporting a crime across countries varies between 26% (South and Central America) and 54% (North America), depending on the type of crime. For corruption it is as low as 3%. The risk when demanding a bribe from a household is evidently low for a police officer.

### 5.3 The crime, crime reporting and police corruption nexus

The ICVS survey data present information about both crime, crime reporting and police corruption rates. Crime reporting is the citizens' reporting of crimes to the police, not the police's own registered crime cases. How are these variables connected? In Hunt's analyses the crime rates apparently had a strong impact on corruption rates in general, and on police corruption in particular. Increased crime meant more police corruption. May police corruption and crime reporting have feedback effects on crime rates itself? And does crime reporting impact police on corruption?

Hunt (2007) interprets a citizen report on a crime as indicating a signal about use of police services. Reporting a crime increases the probability of meeting a police officer, which again increases the probability of completing a bribe. Empirically she does not receive support for this interpretation, however (ibid, table 4).

Azfar and Gurgur (2005) suggest on the other hand that if the police are highly corrupt, the citizens will try to avoid the police whenever possible. Hence, they will tend not to report crimes. Their interpretation seems supported by the ICVS-data where the respondents are asked their reasons for reporting or not reporting the crime. Furthermore, Azfar and Gurgur (2005) expect high reporting rates to have a preventive effect on both police corruption and crime. In Azfar and Gurgur (2008) they make an econometric exploration of the whole crime-crime reporting-police corruption nexus based on ICVS data. Due to all the endogenous variation in the nexus, a number of instrument

variables are introduced. A summary of the most interesting results of their 3SLS analysis is the following:

- *crime rates* increase with police corruption and decrease with crime reporting;
- *crime reporting rates* decline with police corruption and crime rates; and
- *police corruption* declines with crime reporting and crime rates.

The two first results appear reasonable, but not the last one: that the extent of police corruption will decrease with an increased crime rate. This result is strongly counterintuitive, and contradicts Hunt's convincing descriptive statistics referred to above. How to explain the contradiction?

## 5.4 Regional-specific variation in crime rates and corruption levels

Crime in general and violent crime in particular appear to show interesting regional variation. Regard the following table:

**Table 4. Aggregate victimization rates by world regions (1988-1996)**

	Burglary/ attempt	Other theft	Violent crime	Violence/ male	Violence/ Female	Consumer fraud	Corruption	Any crime
Western Europe	14,4	27,1	16	5	5	12,5	1,1	61,2
New World*	23,3	26,6	20	8,4	8	7,9	1	65,3
Latin America	32,4	42,4	36	8	14,3	24,4	19,5	76,6
Transition Countries	17,3	31,9	17	6,5	6	39,8	12,6	62
Asia	11,3	30,3	13	2,4	4,8	27,6	20,2	45
Africa	35,4	41,7	32	7,9	12,6	48,7	13,5	74
<b>World</b>	<b>20,4</b>	<b>32,3</b>	<b>20</b>	<b>6,2</b>	<b>7,4</b>	<b>29,4</b>	<b>11</b>	<b>63,7</b>

Source: Zvekic (2000, Table 2). \* Australia, Canada, New Zealand and USA

Asian countries, in particular, have relatively low crime rates and high corruption rates. Shared neighborhood characteristics of this kind may 'spoil' the results of country based cross-section analysis. Moreover, while street-level corruption is almost absent in high income countries, the crime rates are significant. One of the major factors causing shifts in police corruption rates between high and low income countries is due to the behavior of traffic police.

## 5.5 The traffic police

Systematic collection of bribes by the traffic police is rare in OECD countries, but is a very visible feature in most low income countries. The mechanics is documented in an excellent research paper by Olken and Barron (2007) on the police's collection of bribes along a road system that ties Aceh to more central parts of Sumatra in Indonesia. The authors focus on trucking. Members of the research group joined a number of trucks as assistants to the drivers, one assistant per driver. 304 trips to and from Aceh were observed. During each trip a number of control posts manned by the police had to be passed. In addition, drivers had to pay both organized crime units, often in cooperation with the police, and the police itself for protection against attacks on the road. Convoys were organized. Along the route there were four weighing stations that also demanded payment. The research team observed directly about 6000 illegal payments

During their period of observation the military withdrew from Aceh, and these posts were not re-manned by the police, so the researchers could observe the effects of the reduction of the number of

control posts on the level of bribes at the remaining ones. The prices on each post increased compared to the former situation with larger number of posts, but the total amount paid per trip declined. The prices were negotiated in a decentralized way. The driver proposed a price which was either accepted or rejected by the police. The size of the bribes was determined by the bargaining position at the given post. Hence, the bribes increased as the truck approached its end station, since it would then be more costly to return.<sup>35</sup> If the officers displayed a gun, the price also increased, but less so. Altogether, *bribe expenses constituted around 13% of the transport costs*, a little more than the wage costs and a little less than the fuel costs.<sup>36</sup> In a smaller pilot project on the more trafficked Bandung - Java road the researchers observed that the payment was made through monthly payments to police officers with little collected at the check points. Another policy conclusion Olken and Barron (2007) make is that since the actual amount of corruption went down when the number of control posts decreased it may prove useful to reduce the number of (traffic) police in order to reduce police corruption.<sup>37</sup>

A telling story about the potential effects of the ‘bribe taxes’ of the traffic police is anecdotal and from Cambodia. Nissen (2005: 69-70) refers to the experience of a well educated farmer who only use 10% of his land to a large degree because “I need to pay at many checkpoints and that eats up all the profit”. In this case, the police had completely stifled the growth of any market for his agricultural goods.

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<sup>35</sup> A similar effect is visible in the bribing structure of procurement processes. While bribers pay only a small amount to get into the list of qualified bidders, the bribe for the actual contract is at a different level.

<sup>36</sup> Similar extortions take place daily along a number of Asian roads without being observed by social scientists. For instance, *The Daily Star* of Bangladesh reports about a cattle trader from the village Nonagon that had to pay Taka 4500 in extortion money to the police personnel and *mastans* [organized criminals] at eight different places along the way just to enter the famous Gabtoli market. A similar pattern of extortion follows when the cattle are freighted out from the market. One of the implications of this regular extortion is that the normal prices increases by 15% to 20% (*The Daily Star*, 6 January 2007).

<sup>37</sup> The authors make a number of other interesting observations about the actual bribing structure in this situation. Moreover, in our view, the main contribution of the project is methodological: it shows that with imagination it is possible to observe directly instances of police corruption in a mass scale that we previously believed was impossible.

## 6. Some economic consequences of police corruption

This section explores the wider welfare consequences of extensive police corruption, and its interaction with more ‘overarching’ human development processes.

### 6.1 The relationship between police corruption and political elite behavior

When wealthy and influential interests bribe the police to chase out poor house-owners to build profitable industrial plants, as they have done in number of countries, it is police corruption in the service of the elite. It may contribute to speeding up growth, as pointed out by Mushtaq Khan (2004), but the outcomes are frequently unfair and may throw households unexpectedly into deep poverty.

In situations where the political leadership’s survival is at stake and will be defended by armed means, the police may be assigned a larger scope of action.<sup>38</sup> Power will be shifted towards the public organizations that dispose instruments of violence with the increasing levels of illegal violence. This will give the police more opportunities for private income, but also more dangerous work. But as the scale of violence increases, power shifts to the military, and the police’s role as an information provider will become paramount. In relation to armed conflicts, the police’s main historical role is in the process that is triggering conflicts and in the aftermath, not during the peak of armed struggle. Especially, the role of the police in the aftermath of conflicts has attracted considerable attention by the international foreign aid community.

The police’s triggering role, however, has been neglected. In cases where the regime has been mainly challenged through its own weakening, it is reasonable to expect that weakened monitoring of the police evolves in a way such that both increased police violence and police corruption develop simultaneously. In addition to its access to violent instruments, a key characteristic of the police’s part in the battery of public controls is its role in monitoring geographical space and collect information about it. This knowledge is extremely valuable for gaining political control and is often also used by politicians in peaceful democratic contests. This is, we believe, a major reason why the police (sometimes together with organized crime) are allowed to cash in on the cooperation with politicians at election times. The power acquired by the police in this way might sometimes be displayed by an open, often arrogant, economic exploitation of the citizens even in democracies like India.

### 6.2 Mechanisms where police corruption may affect economic growth

A corrupt police service may have considerable negative impacts on *growth* through its monitoring of space, when it use that to tax business directly through own predation, or by supplying protection in competition or partly in cooperation with organized crime units. The crime-police corruption nexus impacts on growth works mainly through three mechanisms:

- It stifles or slows the growth of small enterprises through direct illegal taxation much in the same manner as a mafia organization. While police corruption and the size of the informal

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<sup>38</sup> A well-known historical example where the police were both corrupt and contributed to a regime downfall was during the Kuomintang’s rule of China during the interwar period. This conflict was fought at such a scale that the military’s behavior was more decisive, however.

economy are likely to be positively correlated, the police's bribe collection, even without formal taxes in place, may stifle the growth of the informal urban economy.

- Police corruption on its own may break budding growth in rural areas through illegal taxation of transport.
- The nexus has a negative impact on foreign direct investments.<sup>39</sup>

### 6.3 Police corruption, economic inequality and human insecurity

Soares (2004a, 2004b) and Azfar and Gurgur (2005) have in different ways demonstrated that:

- 1) Increased inequality increases the rates of (victim) crimes. Furthermore, Azfar and Gurgur have showed that:
- 2) In countries with low government effectiveness (which practically coincide with countries with high aggregate perceived corruption levels) and high income inequality, females and poor households are more likely to experience crime and less likely to report them than in more equal countries.
- 3) Jennifer Hunt (2008) has recently estimated how the impacts of corruption on different income groups vary with the kinds of public officials involved. She finds that police corruption hits lower income groups harder than corruption in the judiciary.

### 6.4 Police corruption: a mixed bag of effects

The large number of people who are maimed and killed on the roads in developing countries is a huge problem that still has not received the public attention it deserves. Bertrand *et al* (2006) have studied in detail the effects of corruption on driving skills in New Delhi. They found that driving skills had no effect on who got the driving license. The applicants acquired the license through middlemen in any case, i.e. individuals who knew the bureaucracy and paid the bribes on behalf of the applicants. Prospective drivers had no immediate incentive for learning to drive. While the main agency here was not the police, the traffic police operate under the same principles and extort and punish independent of the drivers' mistakes. Police corruption is one factor that contributes to the killing fields that the roads of many developing countries often are.

The effects of police corruption on *organized crime* are also clear, at least if we accept the indicators of organized crime that are developed in the literature. As noted, Peter Reuter's (1983) case study from New York also strongly suggests that substantial police corruption is a condition for large scale organized crime to develop. An effect of aggregate (perceived) corruption on homicide rates has been demonstrated by Azfar (2005: 286). Corruption in the police is again the most likely mechanism.

The police corruption - organized crime complex allows increased *consumption of illegal services* (as gambling and prostitution) and *goods* (drugs, poisoned liquors, blasphemous texts in Muslim countries etc.), and the *size of the informal economy*, with all its effects on effective taxation. A problem by exposing these as separate effects is that they are among the causes as well as the effects of police corruption.

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<sup>39</sup> Detailed evidence of the first mechanism has been mainly provided by data from Eastern Europe and the former Soviet Union. For the second effect, we have general econometric studies of the impacts of aggregate corruption. Another type of evidence has been through business surveys. For instance, Shang-Jing Wei (2000) and others show that police corruption has significantly negative impacts on business activities. Data from China and South Korea have been core evidence in identifying the main constraints on enterprises. The World Bank's BEEPS surveys, first mainly from the former socialist countries and then brought in from the whole world, place surprisingly strong weight to crime rates.

## 7. Police corruption as a policy issue

Police corruption is not the same issue in high and low income areas. Corruption inside the police in high income countries may normally be studied in isolation and dealt with by a separate policy specifically directed at the police organizations themselves. These measures may also be relevant in low income countries, since the police bureaucracies involved are in many ways similar, but they are hardly sufficient. The same applies to legalization measures. Petty corruption by the police is unique to low income countries and has to be dealt with as a part of a larger corruption complex. The tax system is the most likely candidate.<sup>40</sup>

### 7.1 Legalization of illegal goods and services

There is one set of measures that may be applied in both rich and non-rich countries: *legalize formally illegal goods and services*. The legalizing (either *de facto* or *de jure*) of homosexual bars and (partially) gambling reduced significantly the size of the organized crime - police corruption clusters in New York. Legalization of prostitution, gambling, alcohol and various types of drugs may all be worth considering in a low income context. An important but little noticed component of the successful anti-corruption policies in Hong Kong was the legalization and partial deregulation of the mini-bus system (Lee 1979: 5-6). The experiences from Hong Kong are interesting since first the police milked the illegal companies directly in competition (or cooperation) with organized crime units. After the legalization in 1969 the police could continue the milking of companies through their ability to deliver traffic fines, but organized crime apparently had not the same opportunities. While helpful, legalization was not sufficient to get rid of police corruption. It had to be complemented with other measures.<sup>41</sup>

To legalize illegal markets, particularly drug and prostitution markets, is tempting from an economist's point of view. Here it is, however, important to note that regulations may have a structure that can create surprising *spillovers across the regulated sectors*. For example, if prostitution is legalized, but most prostitutes are foreigners (for example, Nepalese in India), their stay in the country may still be illegal and the police's bribe-harvesting from their activities may only be moved from the vice squad to the immigration authorities. If combined with stricter deportation rules, the legalization of prostitution may even increase the size of trafficking, since it reduces the risk for the people financing the migration of prostitutes, increases the power of pimps over the prostitutes, and the police's bribe income.<sup>42</sup> Regarding drug legalization, the cross-country spillovers are probably so strong that only international efforts are worth considering.

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<sup>40</sup> Braütigam *et al.* (2008) argue that bargaining over taxes is central to building relations of accountability between state and citizens based on mutual rights and obligations. Thus, the emergence of a representative government is more likely when the state faces incentives to increase income through bargaining with citizens than through foreign aid and natural resource rents. However, for taxation to have a positive effect on accountability taxes must be 'felt' by a majority of citizens. In his most recent book 'When things fell apart: state failure in late-century Africa', Robert Bates (2008) explains why, when and how African states fail to deliver their part of the social contract. Public revenues are an important part of his account.

<sup>41</sup> The stimulation of police corruption due to illegal drug transactions are well documented from a number of scandals and public commissions from New York, Los Angeles, Philadelphia, Sydney, Melbourne and other cities.

<sup>42</sup> Some of these issues are studied by Friedel and Guriev (2006).



## 7.2 Other measures to reduce police corruption in both poor and rich countries

One reason for police corruption in both poor and non-poor countries is comparatively *low wages* for the police. When public officials are asked about their perceptions about the causes of corruption, this is their favorite answer. It is an argument that should be researched carefully, however. Sometimes the issue is rather excessive income expectations among public sector employees (compared to the surrounding poverty and the government's tax potential). The income expectations are often fuelled by the comparison of their income with the income levels of the international aid bureaucracies and consultants. Afghanistan is an extreme case in this respect, with devastating impacts on police accountability. When affordable, increased wages and education levels of the police have proved crucial to reduce corruption levels, - and not only among the police. These measures were important components in the two cases we know of fast working anti-corruption packages; Singapore and Hong Kong.

The scope for extortion may be significantly reduced by making the arresting process more transparent. Granting stronger rights for suspects to inform relatives about arrests or police confinement has become easier with the spread of mobile phones in poor areas.

## 7.3 Clamp down on the traffic police

The open extortion and rent collection of the traffic police are so visible that it should be possible to address directly. Instead of making foreign aid conditional on rather vague and general governance indicators, one may make it conditional on reducing the number of police roadblocks and the intensity of bribe collection by the traffic police. This could be monitored through random research experiments in the manner of the research project by Olken and Barron (2007) in Indonesia.

In addition to its direct harmful effects on transport and the build-up of markets for rural goods, corruption by the traffic police has a strong signal effect due to its visibility. It tells the public that corruption is permitted and that the guardians of the law are permitted to violate it.

## 7.4 What to do with police corruption when the whole regime floats?

What to do with police corruption when corruption permeates the public apparatus almost everywhere? This is in a sense a problem of a different kind than the one we have discussed so far, with the exception of corruption in the traffic police. This is a situation where regular policy thinking tends to break down. To solve a policy problem, we normally consider a policy instrument that a public agency may manipulate to improve an existing situation. It is exogenous. In the case of extensive corruption, however, that way of thinking breaks down.

Extensive corruption implies that the main problem is located among the agents supposed to dispose policy instruments. Corruption is a crime and the regular agencies that should deal with it are the courts and the police. When they are corrupt no one in decision-making positions may be able and/or have an interest in doing anything, except the citizens who are taxed by it, but they rarely have the power to act effectively in this matter. In such situations it is difficult to suggest concrete policy proposals except for pious wishes for a change in the top political leadership.

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## SUMMARY

Crime and the fear of being hit by crime and small-scale violence are key economic and social problems in most developing countries, not least felt strongly by the poor. Extensive corruption in the police, experienced or perceived, contributes seriously to the problem. A key question raised in the paper is: How is police corruption linked to the wider processes of development – including crime, violence and poverty? The paper examines (i) how and why corruption may arise in the daily routines of the police and whether it may have impacts on crime rates; (ii) empirical indications of whether the police may be more corrupt than other groups of public officials; (iii) how and why police corruption may vary across countries; and (iv) the wider impacts of police corruption on development

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