

Corruption through the Lens of Various Ethical Theories

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Abstract:- This essay delves into the intricate dynamics of corruption in the context of businesses navigating regulatory and compliance requirements in new markets. The analysis examines how various ethical theories—relativism, consequentialism, deontology, utilitarianism, Kantianism, shareholder theory, and stakeholder theory—interpret and judge corruption. Through a detailed literature review, the paper explores the deep-rooted cultural, economic, and ethical dimensions of corruption. It also discusses potential solutions to curb corruption, emphasizing the need for stringent legal frameworks, community engagement, and transparent governance. The essay concludes by highlighting the critical role of both shareholders and stakeholders in fostering ethical business practices and ensuring sustainable growth.

Keywords:- Corruption, Business Ethics, Regulatory Compliance, Ethical Theories.

I. INTRODUCTION

As new business players enter new markets, there are quite a few regulatory and compliancy requirements including licenses, permits, registrations or multiple government approvals. These engagements with government officials historically have seen illegal modes of financial transactions aka bribes to either overwrite certain requirements or expedite process or at times a courtesy gesture with the involved stakeholders. There are legitimate incentives including prepositions to invest in the local infrastructure or even illegal direct payment to the public official to influence decisions to illegal subordination in favour of the company which is corruption. Corruption starts when a public or private official leverages their position, power or authority to overwrite certain policy matters. Corruption is usually a very discrete activity and is in the form of gains in substance of value. Corruption is so deep rooted that multinational companies and subsidiaries include it as part of their financial strategy and usually the payments are masked under different existing heads and sections.

The companies involved in corruption consider it as a choice to expedite the bureaucratic process by jumping the que. There are stray cases where the company believes that government employees use corruption as a means to augment their inadequate salaries and hence corruption enhances their lives. On the contrary, corruption undermines the legitimacy of the government's policy, power and

responsiveness standards. It weakens the decision-making process by re-allocated resources to improve economic frameworks. In this essay, we look through the lens of various schools of thought and discuss different point of views on corruption.

II. LITERATURE REVIEW

Corruption is the misuse of power by public or private officials for personal gain, often involving bribery or other forms of dishonest conduct. This unethical practice undermines the integrity of both governmental and corporate institutions, eroding public trust and leading to inefficiencies within the system. Corruption can manifest in various forms, such as financial incentives to bypass regulations, gifts to influence decisions, or outright bribes to expedite processes. The insidious nature of corruption makes it a challenge to detect and combat, as it is often hidden under legitimate business transactions or cultural practices.

The consequences of corruption are far-reaching and detrimental. It distorts economic and social development by reallocating resources away from essential public services, such as healthcare and education, and towards the pockets of corrupt individuals. This not only widens the gap between the rich and the poor but also hampers sustainable economic growth. Moreover, corruption fosters an environment of inequality and injustice, where decisions are made based on financial incentives rather than merit or need. This undermines the legitimacy of government policies and weakens the rule of law, ultimately stifling innovation and progress within society. By perpetuating a cycle of dishonesty and inefficiency, corruption hinders the overall development and well-being of communities and nations.

III. ETHICAL SCHOOLS OF THOUGHT

We begin with **relativism** which is an ethical school of thought that believes morality is based on cultural beliefs. Some cultures have wealth inequality, and this inspires choice of illegitimate means to impact financial prosperity and these may be culturally inappropriate. An example of Venezuela, one of the world's most corrupt state, has common organized crime and corruption are prevalent in the culture. In Asia, major countries such as Indonesia or China, bribery is directly associated with gift rituals (*Cuervo-Cazurra, A., 2016*). The companies may use these cultural aspects and key token budgets to justify their fraudulent acts in the name of courteous gesture. If they wish to remain

competitive in the particular host country, corruption is the only choice. Irrespective of the company's beliefs on the policies, the businesses will try to not criticize the cultural values of the host country, instead be grateful that the customers and the government accept the company and allow the firm to continue its operations (*Post, T., 2022*). Business managers will sustain that it is unseemly for outsiders to censure the social customs of the host country.

Secondly, the **consequentialism perspective**, an individual's actions should be judged morally ethical or unethical based on the consequences. One should focus on producing good outcomes to be morally virtuous and avoid actions that could prevent them from achieving this state. A consequentialist approach would tolerate or even engage in corruption as long as the funds goes into projects that enhance further growth, so, if bribes went into helping the poor, it may be seen as a virtuous act but studies have shown that corruption widens the gap between the rich and powerful and the underprivileged. In a nutshell, corruption increases inequality, decreases popular accountability and political responsiveness, and thus produces rising frustration and hardship among citizens, who are then more likely to accept (or even demand) hard-handed and illiberal tactics. (UNDOC, 2019)

Thirdly, according to the **deontology** ethical school of thought, an action is either right or wrong and not based on its consequences. The deontologist believes there are certain rules to evaluate actions, such as the rules provided in religion. The act of corruption involves dishonesty and thus is wrong. Regarding fraud, money-laundering and tax evasion, for example, the thousands of leaked documents known as the Mossack Fonseca Papers (commonly referred to as the Panama Papers) exposed the vast economic implications of corruption due to offshore entities for many nations and for economic inequality in general (*UNDOC, 2019*).

Fourthly, the **utilitarian theory** of ethics proposes the idea that actions should be judged if it produces the greatest value when compared to any available alternative action. In this case, corruption would be considered unethical because it undermines society's trust in its leaders and has various detrimental effects on financial and economical infrastructures. The economic goal of a country should be to provide jobs for its citizens to support themselves and their families' sans dependence on foreign multinational companies who use corruption as strategy to further their business agenda. The African Union estimates that 25% of Africa's gross domestic product is lost to corruption (*UNODC, 2015*).

Fifthly, **Kantianism** theory was to never treat another person as a means to your own goals even if the consequences of the act would be of positive value. Kantianism argues absolute restrictions on behaviour, corruption cannot be tolerated. Corruption is wrong in its very nature, as the individual in authority and the firm providing financial incentives are both wielding each other as a means for their own goals. The consequences are more

detrimental than the act itself as they can have a long-term effect on people's lives. For example, in New York State, where investment firms were allowed to manage pension funds in return for fees paid to associates of the state treasurer which resulted in huge losses, especially for retired individuals who depended on pension for survival (*Hakim and Walsh, 2009*).

Sixthly, the **shareholder theory**, as expressed by Milton Friedman, argues the ideology that the actual responsibility of managers is to serve the interests of shareholders in the best possible way. Shareholder's interests can be served using the resources of the corporation to increase the wealth of the business and shareholders by seeking profits. So, the moral obligation is to enhance financial agenda of the company and thus engage in corruption. Shareholder's theory states that corruption promotes efficiency and innovation as it forces company managers incentives to align with those of shareholders. Multinational companies and subsidiaries include corruption as part of their financial strategy and usually the payments are masked under different existing heads and sections. The shareholder theory has been criticized for being an inappropriate focus on short-term shareholders' goals, rather than long-term investors or society at large (*Yang, D., Wang, Z., & Lu, F., 2019*). Shareholders and investors who operate in countries practicing a high level of corruption may receive greater dividends.

Finally, proponents of **stakeholder's theory** believe a company creates value for all stakeholders and not just its shareholders. Corruption impacts the suppliers, employees, customers, distributors and sales progress and various other participants (*Monteduro, F., Cecchetti, I., Lai, Y., & Allegrini, V., 2020*). Stakeholder Theory argues that corruption is unfair to different competitors and will cause the loss of corporate property. Case in point, Walmart paid \$282 Million as a fine for violating the Foreign Corrupt Practices Act in India, China, Mexico and Brazil. The company paid bribes to third-party intermediaries to expedite bureaucratic processes and failed to implement various anti-corruption measures.

Corruption also affects other parties involved in the transaction. For example, suppliers will not do business with corrupt companies because they are afraid that they will lose money or have their assets confiscated by the government if they do so. Employees who are involved in corruption schemes risk losing their jobs and being unable to get promotions or raises as well or face severe backlash. One noteworthy case is that of Huang Songyou, who was sentenced to death for accepting over 1 billion US Dollars in bribes even though he was himself an anticorruption official. Shareholders who invest money into a corrupt company risk losing money on their investment because of corruption schemes taking place within these companies. After viewing all the ethical theories, we have to look at various possible solutions in an attempt to curb corruption.

IV. SOLUTIONS

To ensure compliance with the law, new policies and sanctions must be adopted to enforce stricter punishment for corruption. Ensuring that law enforcement agencies are independent and properly tasked with monitoring law enforcement. In order to combat corruption and its negative effects, it will be helpful to engage the community directly, educate them, and provide them with a platform to connect with various stakeholders. To summarize, new sanctions have to be created, local communities have to be involved and agencies are to be created, staffed and funded. In order to completely eradicate corruption, citizens must force their governments to implement laws and systems to prevent it.

Effective legal enforcement is imperative to ensure that corruption is severely punished combines with approaches aided by a strong legal framework, enforcement groups, and an effective judicial system. Countries that struggle with internal conflict usually have fewer resources to combat corruption. Without proper financial resources, corrupt officials of the country can launder and hide funds with ease which as seen earlier in the essay, can prove to be a significant amount. For instance, the large measure of corruption and botched management in Venezuela has brought about extreme financial challenges, over seventy five percent of the citizens live under the international standard for extreme poverty. The proceeds of corruption are then commonly transferred to another country, for instance Swiss banks, causing disputes across borders, financially or otherwise. Government and non-government bodies are concerned about the global facets of corruption, stretching from criminal agencies to unfair conditions for trading and financial frameworks. Countries that are successful at keeping corruption at bay are transparent about the budgeting information and allow media to operate without interference.

Financial management reforms focus on strengthening auditing agencies in many countries and disclosure of budget information to prevent misappropriation of resources. It is imperative to leverage financial resources to support and sustain ethical governance tactics to ensure corruption is not internalized in the community. In Sri Lanka, for example, a group called Transparency International Sri Lanka works to promote transparent and participatory budgeting spreading awareness in local communities and allowing them a platform to comment on proposed budgets of local government entities. Keeping citizens engaged with corruption at each level will help align anti-corruption measures. Corresponding platforms to engage communities will help the locals encourage government ratify the law and then implement it. The International Monetary Fund (IMF) has instilled programs to strengthen government operations related to taxation, customs and excise which are more susceptible to corruption. African banks and Asian Banks have also improved their focus on transparency and anti-corruption policies.

Reinforcing civilians' interest against corruption and engaging them to consider government responsible is a feasible methodology that assists with building shared trust among residents and government. For instance, communities that monitor initiatives have detected instances of corruption, reduced wastage of funds, and improved quality of public services. Communities can use technology to build a forum for communication between government, business people, civilians, civil groups, media and other stakeholders. In Poland, for instance, political parties and social groups engaged the citizens in the fight against corruption, lowering the citizens tolerance for the act altogether. Aware Polish citizens thus inspired reduction of corruption practiced in the country.

V. CONCLUSION

To summarize, we have analyzed corruption through the lens of various ethical theories. Relativism views corruption through the prism of cultural acceptance, which may or may not condone it based on societal norms. Consequentialism evaluates corruption based on the outcomes it produces, weighing whether the act leads to good or bad consequences. Deontology and Kantianism both condemn corruption as inherently immoral due to its inherent dishonesty and injustice. Utilitarianism also rejects corruption, emphasizing that it creates an imbalance of wealth and opportunities within the marketplace. Conversely, the shareholder theory can tolerate or even engage in corruption if it aligns with the goal of maximizing company profits and dividends. Finally, the stakeholder theory asserts that corruption negatively impacts various members of the firm, including employees, customers, and the broader community, by diverting resources that could be better allocated elsewhere.

Ultimately, it is the responsibility of both shareholders and stakeholders to drive change and foster ethical practices within companies. By prioritizing transparency, accountability, and community engagement, businesses can combat corruption and contribute to a more equitable and sustainable economic environment.

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