

Democratized Corruption?

When Jawaharlal Nehru christened the Bhakra Nangal dam the “temple of modern India,” he foresaw today’s reality: Modernity is dependent on infrastructure. But sixty years on, India seems no closer to the dream he envisioned. And the question is inescapable: Why not? Where has the money that could have been used to build our dams, power plants, schools, roads, and research institutes gone?

\$1.5 trillion in unaccounted funds parked in Swiss bank accounts reportedly belongs to Indian nationals. This is more than the total deposits of nationals from all other countries. And with tens of other tax heavens dotted around the world, the amount of national wealth that could have been recycled as investments but is instead tucked greedily away in private accounts is unknown. What we do know is that this can happen only in an environment where corruption is rampant. And as multiple scandals break in our newspapers and on our television sets, it is unsurprising that so many of them are infrastructure-related.

But for ordinary citizens like you and I, a figure of \$1.5 trillion, while shocking, is ultimately abstract. It means little. So instead I thought of writing about the everyday cases of corruption that we witness personally.

Until just a few years ago, Delhi used to have power outages so often that waiting impatiently in the dark became part of our daily routine. Several legitimate factors were behind these shortages: Inadequate capacity, lack of investments in infrastructure, low power prices, inefficiency across power systems, and an ever increasing demand for power from a growing city. In recent years, energy provision has improved significantly because of sector reforms, new capacity, and the entry of private power distributors. But isolated black-outs continue. What is interesting is that these power problems persist in a number of wealthy residential areas, often affecting single homes – and, in the most unlikely of coincidences, when residents host parties. When a driveway full of visitors’ cars becomes the cause of a black-out, it is clear that technical or structural shortcomings are no longer at fault.

Christmas usually comes early to Manila: From early October carols are played on repeat in shopping malls, lights twinkle along every building edge, and Styrofoam snow sprinkles from rooftops. But along with the usual yuletide spirit comes the inevitable surge of traffic as the city slowly grinds to gridlock. But what’s the connection? Bus-loads of out-of-town shoppers surely add to regular traffic volume. Numerous mega-sale events tempt even the most conservative shoppers out of their homes. Limited public transport and the relatively low cost of driving certainly don’t help. Then there is the basic reality that existing roads are inadequate to deal even with everyday traffic and Christmas simply tips the scale. But these factors provide only part of the explanation. There is one more answer. Invariably, traffic lights are switched off at peak times and even with dozens of policemen on the ground to direct vehicles, traffic comes to a complete halt. But not everyone loses in these tough times: Street vendors make brisk business selling snacks, drinks, and trinkets to the exasperated drivers.

In both these cases, market and government agents have specific information from which to extract economic rent. In Manila, the story is that some traffic enforcers receive pay offs from street vendors benefiting from bored buyers trapped in traffic; In Delhi, some home-owners have to bribe local power company agents to ensure uninterrupted power supply during parties to prevent them from losing face in front of guests.

Clearly, it is not only large-scale corruption in infrastructure investments that raises the transaction costs of business, loss of employment opportunities, or cripples economic growth. And it is the commonplace instances of corruption, those that rarely make headlines, that are far more difficult to fix. In today’s democracies, no one individual or group has a monopoly on corruption.