

# The economics of corruption

## The wages of sin

### **In theory, higher pay cuts corruption. In practice, the opposite happens**

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WHETHER the miscreants are African policemen, European politicians or American university basketball players, the same remedy for corrupt behaviour is offered: pay people more money. It sounds intuitive. But does legitimate lucre really drive out the filthy kind? New research involving a natural experiment in West Africa suggests that it does not—and that conventional economic theories of corruption are wrong.

In 2010 Ghana began to move public officials to a new salary structure. The earliest and biggest beneficiaries were police officers, whose pay abruptly doubled. It was hoped that they would start behaving better as a result—and especially that they would stop extorting money from drivers at roadblocks. There was certainly much room for improvement: surveys around that time by Transparency International, a watchdog, found that 91% of Ghanaians believed their police were corrupt, an even higher proportion than thought the same of politicians.

As it happened, a large survey was already under way of lorry drivers plying the roads of Ghana and its neighbour, Burkina Faso. Drivers with their papers in order were asked to record how many times they were stopped and how much money they paid to police and customs officials along the route.

Two American economists, Jeremy Foltz and Kwaku Opoku-Agyemang, have examined the data on 2,100 long-haul journeys. Oddly, they find that Ghana's police became more corrupt after their salaries increased, both absolutely and relative to Burkina Faso's police and Ghanaian customs officers. The cops erected more roadblocks, detained lorries for longer (the average driver was stopped 16 times as he drove through Ghana, for eight minutes each time) and extracted more money.

Economic theory suggests the opposite should have happened, for two reasons. First, corruption is risky. You might lose your job if you do it, and the more you are paid, the bigger that loss would be. Second, officials are thought to have an income target. If they are underpaid, they will behave corruptly in order to make up the difference. The fact that some British MPs cheated on their expenses a decade ago was put down to the fact that they earned less than similarly qualified people. Ghana's president, John Mahama, said last year that there was "no justification" for corruption now that salaries were higher.

Employees in the rich world who suddenly receive more money per hour—when their taxes are cut, for example—tend not to work less, as they might do if they had a fixed income target in mind. They work more. But given that the rewards from corruption had not gone up, this does not explain why Ghanaian police officers engaged in more graft. Mr Foltz and Mr Opoku-Agyemang, whose research was funded by the International Growth Centre at the London School of Economics, suggest that corrupt superiors or greedy relatives might have demanded more money from the officers. Another possibility is that the cops'

expectations went up. The pay rise may have boosted their sense of their own worth, leading them to demand more money.

It might be that the risk of being caught in Ghana is so low that normal calculations of risk and reward do not apply. Perhaps a combination of higher pay, political leadership and stiff punishments would have stopped corruption: it did in Singapore, for example. But money alone is not enough. In Ghana, some are astonished that anybody could have believed that higher pay would have made cops less greedy. That is just not human nature. As Ransford Van Gyampo, a political scientist at the University of Ghana, puts it: "In spite of how big the sea is, it still receives rain."