



Corruption



Ethics in Action for Sustainable and Integral Development

Final Declaration on Corruption

Alpbach, Austria, August 21, 2018

Corruption is the abuse of power to pursue particular interests over the common good, and constitutes a major impediment to integral and sustainable human development. The function of the government is to enhance the common good, but this function is often distorted for corrupt purposes. It is for this reason that SDG 16 calls for countries to “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels” with targets pertaining to reducing illicit financial flows, corruption, and bribery, plus building effective, accountable, and transparent institutions at all levels. Yet corruption remains endemic in today’s global economy.

Corruption encompasses bribery and theft of state assets, but it is broader than this—especially today, it includes the deliberate construction of tax havens and secrecy jurisdictions, which allow powerful elites and multilateral corporations to evade taxes, gain market advantage, and sometimes even launder the proceeds of crime as well as human and drug trafficking. As the Vatican noted in its 2018 document calling for an ethical economic-financial system, *Oeconomicae et pecuniariae quaestiones*[1], offshore sites “have removed decisive resources from the actual economy and contributed to the creation of economic systems founded on inequality. Furthermore, it is not possible to ignore the fact that those *offshore* sites, on more occasions, have become usual places of recycling dirty money, which is the fruit of illicit income (thefts, frauds, corruption, criminal associations, mafia, war booties etc.)” The whole business model of these havens is to protect elite money and power from scrutiny, with no questions asked as to sources of income or the accountability of power. Estimates suggest between \$20 and \$30 trillion are now escaping taxation and accountability measures in these havens. And some estimates suggest that as much as half of world trade passes through these havens. This ability to “escape” responsibility to the common good, both national and global, with impunity is a major—if not the most important—barrier to the implementation of the SDGs.

Corruption has a clear and devastating economic impact. By allowing the wealthy to avoid taxes, corruption not only deprives the government of revenue but delegitimizes the entire tax system and system of government. On the spending side, instead of investing in health, education, and environmental conservation, corruption—through kickbacks and other means—induces politicians to favor special interests with little social value. By limiting the redistributive function of the government, corruption gravely increases poverty and inequality. Corruption also hurts private investment by generating uncertainty and encouraging rent seeking rather than true creation of social value. Corruption is a particular problem among state-owned enterprises, given the close proximity between the politicians and commercial decisions; the financial markets, which often put monetary value above all others; and the extractive industries, which are often guided by a rapacious mentality that seeks financial gain at the expense of the poor and the planet.

The effects of corruption go beyond the narrow economic sphere. Corruption undermines trust and social cohesion, and can lead to political instability and conflict—the Arab Spring being a case in point. It has a debilitating impact on youth, who understand that connections matter more than capability—thereby reducing incentives to gain skills and education, and depleting social ties. High corruption is a demonstrated major factor in low levels of reported national wellbeing, even after taking account of national income. Indeed, human beings experience great levels of personal emotional duress when they live in societies marked by high levels of government corruption.

The scourge of corruption runs deeper than individual moral failure. People are often trapped in corrupt systems, where they are coaxed to adapt to the prevailing corrupt culture to survive. In this sense, corruption embodies a “structure of sin”, poisoning the organs of society and degrading the virtues, values, and ethics needed to uphold the common good. It constitutes an economy or *polis* with no values other than the “golden calf” and “money-theism.” In this sense, corruption weakens democracy and leads to plutocracy, where the powerful seek only their own financial gain, oblivious to the common good. Corruption undermines participation and political representation—oligarchic tendencies allow the wealthy to buy political power, and, in the case of tax havens in particular, break the vital link between taxation and representation.

The challenge of corruption highlights the importance of embedding the economy in a proper ethical framework centered on the common good. As *Oeconomicae et pecuniariae quaestiones* states, “Experience and evidence over the last decades has demonstrated, on the one hand, how naive is the belief in a presumed self-sufficiency of the markets, independent of any ethics, and on the other hand, the compelling necessity of an appropriate regulation that at the same time unites the freedom and protection of every person... In this sense, political and economic-financial powers must remain... directed, beyond all proximate harms, towards the realization of a good that is basically common, and not reserved only for a few privileged persons.”

The religious traditions represented by *Ethics in Action* affirmed that corruption has deleterious effects not only on the economy and society, but on what it means to be a human being. In this sense, corruption has not only a moral dimension, but an ontological one. It leads to “disintegrated being,” a form of double life that threatens the integrity and wholeness of the human being by destroying the very relationships that define this wholeness—with God, with the rest of humanity, and with creation. Corruption reflects the temptation of power, greed, self-centered desires, narcissism, and self-interest. It reflects a disordered desire to acquire, possess, and accumulate in a violent matter, disregarding the other and nature. It offers a false and illusory path to fulfillment and flourishing. Pope Francis also affirms the gravity of the sin of corruption. Regarding “the difference between a sinner and a corrupt person,” he writes that “those who lead a double life are corrupt” and “God does not forgive Christians who lead a double life.” Hypocrisy and deception are two components of corruption, and where there is deception, according to Pope Francis, there is no Spirit of God. From his perspective, all individual sins are pardonable except for the social sin of corruption, for corruption disintegrates the very integrity of the social body.[2] In substance, Pope Francis considers corruption a sin against the Holy Spirit. According to Jesus Christ, this is an “eternal sin” which “will never be forgiven”.[3]

Tackling corruption will require institutional change and conversion, predicated on transparency, accountability, and a commitment to the common good. Given the inability of even virtuous individuals to affect change in a corrupt system, top-down reform is essential. An effective reform strategy would prioritize legal codes, independent judiciaries, public participation in politics, parliamentary over presidential systems, term limits for officeholders, free speech, a free press, transparency, countervailing power, active civil societies, regulatory reform to stop rent-seeking, stronger financial sector oversight, and increased corporate accountability.

In addition to national solutions, tackling corruption will require global coordination, especially since “those deputed to exercise political power are often disoriented and rendered powerless by supranational agents and by the volatility of the capital they manage” (*Oeconomicae et pecuniariae quaestiones*). At the international level, anti-corruption solutions include greater reliance on the UN Charter and the Universal Declaration of Human Rights, full implementation of the Paris Agreement on climate change to reduce the corruption associated with the fossil-fuel industry, stronger indigenous rights, globally-adopted anti-corruption laws and codes, increased transparency over international contracting, ending tax and secrecy havens, and stronger cross-border financial regulation.

Ending corruption also requires the development of social norms that deter fraud, bribery, theft, impunity, human trafficking, the drug trade, and tax evasion. It calls for the development of personal and social virtues that emphasize the common good over greed, self-interest, and a might-is-right mentality. All of this in turn requires better role models, ethical education, and a strong role for religion.

Ethics in Action discussed the following policy proposals for consideration and implementation by the United Nations, the OECD, and other international and national bodies:

An international plan agreed by the UN General Assembly to phase out all tax and secrecy havens by 2030, in line with and under the guidance of the Sustainable Development Goals;The introduction of wealth taxes on accounts in tax and secrecy havens to overcome tax evasion, with the proceeds directed towards the Sustainable Development Goals in the low-income countries;A call on the IMF, OECD, and other multilateral bodies to assist developing countries in collecting the revenues they are justly due from multinational companies, and to prevent the abuse by these companies of tax and secrecy havens;A UN conference on removing money from politics in line with the dictates of SDG 16;A call on international banks, especially those with private wealth departments, to cease and desist their operation in tax and secrecy havens;The end of impunity made possible by “post-office box corporations” that disguise the true beneficial ownership of accounts and thereby undermine corporate accountability.

END NOTES

[1] *Oeconomicae et pecuniariae quaestiones*, Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System, 2018.

[2] Homily, *Sanctae Marthae* Chapel, 11.XI.2013.

[3] Mark 3:29