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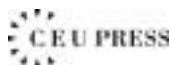
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Shifting Obsessions

Three Essays on the Politics of
Anticorruption

by
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With a Foreword by
ARYEH NEIER



Central European University Press
Budapest New York

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Preface

THERE ARE STRANGE functional similarities among the three discourses that largely shape global politics today—antiterrorism, anticorruption, and anti-Americanism. All three of them flourish at the end of history, when no universal alternative to democracy and the market is in play, but disappointment with democracy and the market is growing. Today democracy may often be redefined or distorted but it is not openly opposed. Anti-market and anti-capitalist sentiments are enjoying a subterranean resurgence, but on the surface they take the form of a debate between Joseph Stiglitz and the International Monetary Fund (IMF). What used to be a class struggle has now been reduced to a quarrel in the faculty lounge. The three dominant discourses are “empty boxes,” easily filled with vague anxieties and cynically designed political strategies; each is a response to the growing gap between voting publics and their democratically elected elites. All three discourses can be used to criticize the status quo without incurring the odium of openly attacking democracy or the market. Groups with totally

conflicting purposes can exploit all three to serve their own agendas.

When anticorruption rhetoric burst upon the stage of global politics in the early 1990s, it was conceptualized as a way to mobilize support for deepening market and democratic reforms. Anticorruption campaigns were designed as a coordinated effort by civil society and the international community (the World Bank, the IMF, and Western governments) to pressure national governments into delivering good governance. The anticorruption rhetoric shared by Washington and local civil society actors was intended to answer the question of what had gone wrong. Mass publics were ready to sign on. But the result has been that political competition in many democracies is now reduced to a confrontation between a government accused of corruption and an opposition that claims to be slightly less corrupt. Anticorruption campaigns have undermined politics understood as a matter of representative government and clashing ideas and programs. Far from contributing to a narrowing of the gap between publics and elites, anticorruption discourse has enlarged the gap.

When terrorism captured the global imagination after 9/11, antiterrorist discourse was designed to highlight the common threat that would help shore up the new world order. In fact, however, various governments have hijacked the antiterrorist agenda in order to destroy their local political opposition and to gain control over civil society. Antiterrorist discourse has been skillfully used to foster suspicion of NGOs

and independent media and to curb civil liberties. Governments seized the opportunity and started manufacturing terrorists. A successful mixture of antiterrorist and anticorruption rhetoric, moderate anti-Americanism, and old-style administrative politics has enabled Vladimir Putin to consolidate an "acceptable" authoritarian regime in Russia. This model has the potential to be replicated. Governments that had found their freedom of action modestly weakened by the spread of democracy and global interdependence have used antiterrorism to bolster their control and enhance the secrecy of their operations.

The impact of anti-American discourse is likely to be similarly harmful to democracy. Washington adopted a high profile in promoting the anticorruption agenda, attempting to bypass governments by telling civil society actors that corrupt governments are the problem. In the case of antiterrorism, Washington allowed discredited governments to label their domestic opponents as terrorists in return for support in the global "war on terrorism." In the case of anti-Americanism, governments are trying to convince frustrated publics that America is the problem. The anticorruption drive was designed to promote the spread of capitalism and deepen democracy. Currently it fails. These three essays are three modest attempts to explain why the failure was to be expected.

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When “Should” Does Not Imply “Can.”

The Making of the Washington Consensus on Corruption*

“God does not take shohadh (bribes)”
The Book of Deuteronomy

“GOING BEYOND THE DATA—wrote John T. Noonan, Jr—I venture a prediction: as slavery was once a way of life and now has become obsolete and incomprehensible, so the practice of bribery will become obsolete” (John T. Noonan, Jr, 1984). This prophecy, made almost two decades ago by the pre-eminent American moralist and expert on bribe, in a sense has turned out to be correct. The practice of bribery in fact has not become so obsolete as slavery, just on the contrary, it has become as widespread as McDonalds, but the anticorruption rhetoric has started to resemble the anti-slavery rhetoric. World leaders, journalists and ordinary citizens became simply obsessed with corruption. Asked to justify the policy of structural adjustments promoted by the IMF, Michael Camdessus answered that the IMF-backed restriction policies have their

* I would like to thank my Agora co-fellows for the pleasure of working together, and I am especially grateful to Shalini Randeria for coining the term “Washington consensus on corruption.” It was such an important phrase that I decided to put it in the subtitle.

almost religious justification. "You cannot denounce the structural adjustments and be against the structure of the sin—proclaimed Camdessus. If you are against the structures of the sin that plague our world—corruption, nepotism, collusion, protectionism—you must go for structural adjustment, like it or not."¹

The divine paradigm, structural adjustment and democracy are mysteriously mixed in the modern anticorruption fairy tale. The new anticorruption consensus is the vital point where the agenda of democratization and the agenda of free market meet, the point at which the global elites meet the demand of the local democratic publics. The story of the making of the anticorruption consensus is the story of how globalization works. It is a story of the happy marriage of "global" and "local," where the "global" are the International Financial Institutions, Western governments, international media and the multinational corporations, and the "local" are the civic groups, local media and reform-minded politicians.

My study presses the question how the global consensus on corruption became possible. What is its content? And what is its future? It is not a study of the anticorruption policies. It is a study in the politics of anticorruption. The study of policies is a study of what institutions did and do. The study of politics

1. Interview with Michel Camdessus, Foreign Policy, September–October, 2000.

is a study of why they did or do it. And it is the “why” and not the “what” that interests me.

The study is focused on strategies and inter-relations of the leading global players in the politics of anticorruption—IMF and World Bank, the leading multinational companies and Transparency International as the leading global NGO involved in the anti-corruption business. In telling the story how corruption was constructed as a global policy issue and how the global policy response to corruption was designed, this chapter is structured in four parts.

The first part examines why corruption became a global concern. The second part focuses on why corruption became the concern of the institutions of the Washington consensus. The third part explains how the new science on corruption came into being

A conclusion demonstrates the complex nature of the tradeoffs between global and local in sustaining the anticorruption consensus and reflects on the uneasy relationship between anticorruption and reform.

Starting a research on corruption is such an obvious choice for an East European political scientist that I feel obliged to excuse myself. It was not corruption that captured my imagination. It was the way corruption is debated today that struck me more than corruption itself. I decided to study not the “banality of evil”-corruption, but the ambiguity of the benevolent anticorruption crusade.

For years corruption was one discourse that always demanded stories. Numbers alone did not excite imagination. Most people sensed that there was no such

thing as an objective social science about corruption. Corruption was one science where every victim felt expert. Corruption discourse was about juicy details, names, places, and conspiratorial fantasies. Corruption was seen as sleazy, ambiguous and impossible to be put into meaningful mathematical models. Corruption like cooking and gardening was recognized to be a subject in the kingdom of local knowledge. People were usually skeptical about chances to fight corruption. Anticorruption campaigns have always been viewed with enthusiasm in the beginning and cynicism in the end (Visvanatan and Sethi, 1998).

All that is not true any more. Corruption—a realm of anthropologists, sociologists and political scientists—was conquered by economists. A global World Bank led anticorruption campaign is under way, and almost nobody dares to be skeptical about it.

Anticorruption consensus claims to bridge the distinctions between left and right, liberal and conservative, globalization and anti-globalization. In comparison with the other features of the global age-free trade, information revolution and even the introduction of universal human rights standards, the global policy response to corruption is the least contested. In the days when activists are storming the streets of Seattle and Prague protesting against the social costs of globalization, anticorruption policies remained the only sphere where the consensus between global and local, left and right is still intact. Local NGOs and pro-democracy groups actively cooperate with World Bank to curb corruption.² They view foreign investors

and foreign governments as allies and not as enemies. But does that mean that local civic groups have agreed with Camdessus that in order to fight the structure of sin, you should endorse structural adjustments, like it or not? Is the anticorruption consensus a consensus on the policy response to corruption?

Why Corruption Became a Global Concern

The last decade of the 20th century is remarkable for the global explosion of the interest in corruption. In the years 1982–1987, the word corruption appeared in average 229 times a year on the pages of *The Economist* and *Financial Times*. In the period 1989–1992, corruption appeared in average 502 times a year. In 1993 the word corruption was mentioned 1076 times in the two most respected European publications on politics and finance. In 1994 corruption was mentioned 1099 times, in 1995, 1246 times. And this tendency sustains till now.

But the popularity of corruption is not limited to books. IMF and World Bank included transparency clauses in their loan giving practices. In 1996 World Bank revised its guidelines to state explicitly that corruption and fraud would be grounds for canceling the contract if the borrower has not taken appropriate ac-

2. For more on this cooperation see
www.worldbank.org/wbi/governance.

tion. In December 1997 the Council of OECD signed an international convention that requires signatories to outlaw overseas bribery of foreign officials. In 1997 IMF suspended 227 million dollars loan to Kenya because of bad governance concerns. 1997 World Bank and IMF annual meeting had a special focus on corruption. Billions of dollars were spent in the last five years on anticorruption projects. Corruption hit the top of the political agenda in countries as different as Russia, China, US, Germany, Mexico and Nigeria.

What has happened? Do we have more corruption today? Do we have a more harmful corruption? Why the global world became less tolerant to it than our pre-global world was?

The fast growing literature on corruption (Tanzi, 1998; Rose-Ackerman, 1999) suggests several basic directions in answering these questions.

The End of the Cold War. The end of the Cold war put an end to a period of political hypocrisy. There was no reason any more for Western democracies to support corrupt dictators. When Soviet threat was removed the corruption ceased to be a security issue.

The end of the cold war was also the end of the great ideological confrontation inside the developed and developing countries. Explaining the success of the operation "Clean hands" in Italy Romano Prodi used only one word—"Yalta." The end of Yalta convinced Italian businesses that paying the "party tax" was not legitimate any more.

The End of Ideology. The end of communism challenged the very legitimacy of democracy. Deprived of the great ideological clash, citizens in the Western democracies focused their attention on the integrity and personality of people in politics. “Americanization” of the European politics replaced the old economy of “selling ideology” with the new economy of “selling leaders.” Moral values and personal integrity of the politicians captured the imagination of the publics.

The End of Real Socialism. In Eastern Europe the new anticorruption sensitivity has specific sources. The old system of exchanges of favors that was typical and massively spread in the communist period was replaced by less sophisticated bribery. Eastern Europe made transition from “give me a favor society” into “give me a bribe society.”

The eruption of social inequality that took place in post-communist countries was difficult to be explained in the terms of entrepreneurship and hard working. The emergence of new rich and new poor and the unexplained circumstances of success and failure made people to believe that corruption was the only credible explanation. Massive privatization was the other critical factor increasing the incentives for corrupt behavior. It is enough to imagine the scale of re-distribution of wealth taking place in the former Soviet block in order to understand Eastern Europe’s fixation with corruption (World Bank, 2000).

The Rise of the New Media. The new global information environment and the popularity of the investigative journalism are the other factors contributing to the new visibility of corruption. Today just by click of the mouse people can learn about the Kohl Affair in Germany, Kremlin credit card scandal and the scandal with the Bank of New York. Corruption sells well, because bribe is "as intimate as a seduction and as coercive as a rape." Publishing corruption stories pays as nicely as investing into Internet stock and the risk is lower.

The Rise of Democracy. The spread of democracy is also part of the explanation why corruption became so debated. Democracies are not by definition clearer than the non-democratic regimes, but in democratic countries governments go to ballot boxes and even risk not to be re-elected. The electoral competition increases the probability that acts of corruption would come to the surface. The fact that more countries are going to the polls made corruption more visible and important in a global scale.

The Rise of the Global Market. The new mobility and the new global market also contributed to corruption's visibility. In the words of Vito Tanzi "globalization has brought individuals from countries with little corruption into frequent contacts with those from countries where corruption is endemic. These contacts have increased the international attention paid to corruption, especially when some companies be-

lieved that they were cut out of some contracts because the winning company has paid a bribe” (Tanzi, 1998).

The Rise of Civil Society. The rise of the civil society and the public awareness campaigns arranged by NGOs mobilized significant anticorruption sentiments. Civic advocacy is partially responsible for making corruption not simply the problem of the corrupted countries but also a problem for countries and foreign companies corrupting them. It was civil activists that focus attention on the fact that corruption money earned in the East is kept in the banks of the West.

The Rise of Organized Crime. The Interpol reports that only for the year 1999 the estimated profit of the organized crime is between 400 billion dollars and 650 billion dollars. In the language of the political science corruption and organized crime are structurally connected. Corruption weakens the state preventing it from being effective third party. The failure of state to enforce rules creates a vacuum to be filled by the organized crime. When the government and the judicial system are so corrupted that they cannot help the contract to be enforced, the only available enforcer is the Mafia. In this respect organized crime is viewed both as a source and product of rising corruption.

“This, that and the other” factors have been used to explain corruption’s new visibility. They illustrate

the urgency with which corruption has become a global concern. But all these factors are still insufficient to explain how corruption was turned into a global policy issue, and why the World Bank and IMF addressed it as one of the structures of economic sin.

The dozens of corruption scandals that erupted in the last decade are not very different from the waves of scandals in the past. It is enough to recall the corrupted 1970s with Watergate and the famous Lockheed scandal. It is enough to recall the Flick-affair in Germany and serial scandals that have broken in Latin America. In all cold war years corruption was a major issue with respect to developing countries, and media was investigating it intensively.

But nevertheless that corruption was a major concern before it was a non-issue in the field of international politics. Why it is an issue now? Has corruption increased or has the world changed?

The current anticorruption literature assumes that the new interest in corruption is a result either of the increase of corruption or of the increase of corruption visibility. It starts with the fact that the new global anticorruption consensus is a response to changes in the field of corruption or its perception. My hypothesis is the reverse one. It was the new anticorruption rhetoric that came as a response to changes in the politics of international trade and the politics of International Financial Institutions that resulted in the new visibility of corruption and the new conceptualization of its role. It was not the reality of "more corruption" that produced the global anticorruption re-

sponse. It was the promotion of centrality of corruption as a policy problem that brought the data of more corruption. It is the story of the making of the global anticorruption consensus much more than the study of corruption per se that gives us an insight in the kitchen of globalization. The study of the new anti-corruption consensus should not be reduced to the study of how corruption “was discovered” as a major policy issue. It makes sense to study also who “has discovered it” and why.

Why Corruption was Discovered as a Global Issue

The popularized story of how the World Bank, IMF and OECD have discovered corruption and decided to fight it reads like a civil society soup opera. In this popular version the new global response on corruption came as a result of the pressure coming from the democratic publics. It was the newly emerging global civil society pushing for global anticorruption policy.

This story tells that in the beginning was Transparency International. It was founded in 1993 by a group of former World Bank executives³ and dedicated itself to fighting corruption and promoting transparency around the world. In a few years TI made a difference. It was pressure coming from TI that urged

3. More on Transparency International on

www.transparency.de.

the international organizations to realize that corruption is a global problem that cannot be located in the Third World and Eastern Europe. The manner in which OECD countries treated corruption outside their borders was made responsible for the present "corruption epidemic." It was this dissident message coming from TI that changed the established views on corruption. In the next part of my study I will concentrate on how TI got its message through. But now I want to stress the fact that anticorruption strategy adopted by TI was essential for building a broad coalition. TI refused to deal with concrete cases of corruption and concentrated its efforts on advocating institutional changes. The anticorruption discourse adopted by TI was not the muckraking discourse of the local anticorruption activists, it was the discourse of the reformers inside the international institutions. It was not about combating corruption. It was about introducing transparency. The non-confrontational approach in fighting corruption was re-enforced by the very organizational structure of TI. Its national chapters have brought together the representatives of the civic community, business and government, and the national chapters remain autonomous in the framework of the global TI. This corporate approach in mobilizing support for anticorruption policies turned out to be very successful in dealing with international institutions, but it remained distanced from the local anticorruption debates. The names of notorious heroes of the local corruption scandals can be often found among the founders of the national chap-

ters of TI. TI is so inclusive in its approach that it is often difficult to figure out its opponents. But in the civil society version of the present outburst of honesty it was TI that produced the change.

Readings of the archives of the current anticorruption revolution suggest some other answers to the question how corruption became a global issue. TI can be seen as a factor for creating the present anti-corruption consensus, but it can be viewed also as an instrument of a policy that was already agreed in World Bank and US State Department.

The US against Corruption

In this alternative story in the beginning was not Transparency International but the US State Department. In the words of Patrick Glynn, Stephen Korbin and Moises Naim “a major shift in American policy on bribery question came after the trade minded Clinton administration assumed office in 1993. Departing from their predecessors’ back-burner approach, Secretary of State Warren Christopher and Assistant Secretary of State for Economic and Business Affairs Daniel Tarullo decided to make the OECD bribery negotiation a State Department priority. Both reflected the long dominant wish in the American business community for a level playing field” (Kimberly Ann Elliot, 1997). The obsession of the American business community with corruption has its history in 1970s. The post-Watergate spirit of “soul searching” and the

shock of the Lockheed scandal pushed American legislators to introduce in 1977 the Foreign Corruption Practices Act (amended in 1988) that criminalized the bribery of foreign officials by American citizens and companies. Starting with 1970s American business community complained that US's tougher position on corruption significantly affects the trade opportunities of American companies working in the bribe-expecting environments of the Third world. A 1996 Commerce Department report prepared with the assistance of the US intelligence agencies estimated that American firms have lost 11 billion dollars worth of business for the years 1994 and 1995 to competitors that paid bribes. The Economist quotes another governmental study that claimed that in 1994 and 1995 American firms lost some 100 deals worth 45 billion dollars to less principled rivals. The underlying analyses remained classified. It is difficult to know how the losses were estimated. But on the base of such figures US started its campaign to press the other OECD countries to criminalize payment of bribes to foreign officials and change the rules that make bribes tax deductible in countries like Germany and France. Major factor in US's policy in the area of bribe negotiations was the public pressure on European governments. "The embarrassing factor in these negotiations was very high"—confessed one of the European negotiators.

The trade version of the discovery of corruption shows that the discovery of corruption as a global policy issue can not be reduced to the fashionable "pres-

sure from below.” It was much more a combination of pressure from below and pressure from US in which both sides used and misused each other in the global anticorruption dance.

And there were at least two other global players that had good and very specific reasons to change their attitude with respect to corruption—multinational companies and Breton woods institutions.

Multinationals against Corruption

In the traditional perception of corruption, the “conversion” of multinational companies from sources of corruption into fighters against corruption is a dramatic change. To illustrate the extent to which foreign capital was once seen as a source of corruption we have only to point out that in the Bulgarian language, all French, German, and English words for doing business have the connotation of performing a corrupt act.

In 1960 and 1970s, foreign investors considered corruption to be a useful vehicle for opening up and modernizing the economies of developing countries. Corruption was an instrument to break the official protectionist barriers that were imposed by the governments of the post-colonial states.

In the brave new WTO world protectionism is an unaffordable luxury for most governments. In the transition economies of Central and Eastern Europe, protectionism is simply unthinkable. Their depend-

ency on IMF loans and their competition for foreign direct investments has forced them to open their economies and to adopt non-protectionist legislation. This new open environment is the major reason for multinationals' change of mind with respect to corruption.

Compared with the normal markets of goods and services, corrupted markets are characterized by the very high value of the local knowledge. In order to corrupt public officials and to win the contract one cannot rely simply on offering the biggest bribe in the biggest brown-paper bag. The market in corruption services is a clandestine, closed market. In order to be competitive on this market, one has to know when, to whom and how to give a bribe. Local businesses are much better positioned in the corruption market because they are plugged in the existing networks and because they possess local knowledge. In other words, corrupted business environment is much more favorable to local businesses than to foreign investors. The great corruption scandals in Eastern Europe in the last years are not scandals of multinationals winning contracts, they are scandals of multinationals losing contracts or seeing their property rights undermined. The story of the velvet take over of the Russian oil company Yukos by the oligarch Mikhail Khodorkovsky in the framework of the loan-for-shares scheme in 1996 is the classical illustration of the "corruption as protectionism" thesis. In her insightful book "Sale of the Century" (Freeland, 2000) Chrystia Freeland, the Financial Times correspondent in Moscow between

January 1995 and August 1998 reveals the secret story of the deal. In the beginning Khodorkovsky reached an agreement with the other Russian oligarchs that Yukos “belongs” to him. His next task was to keep foreigners out. Yukos had been classed as a “strategic company” which means that foreigners were officially banned from buying, but Khodorkovsky worried that might not be enough. Outsiders might try to find loopholes in the law, perhaps by acting in concert with a Russian company. Khodorkovsky did everything necessary to neutralize the threat. Menatep (his group) launched an intense legal and political campaign. Konstantin Kagalovsky (Russia’s ex-representative to the IMF and mastermind of the campaign) few years later explained to Freeland the technique for keeping the foreigners out. The key, he said was to ensure that the law banning foreign participation was intentionally vague and thus open to interpretations. If the foreign firms did decide to try to find a legal loophole and make a bid for Yukos through Russian partners, Kagalovsky would warn them that Menatep would take them to court. With the law so open to interpretations, and the home court advantage, Menatep would stand a strong chance of winning.

The whole point was to transform the decision for foreign firms from a purely legal question—Could they find a legal technicality that would permit them to participate in loans-for-shares?—into a political one—Did they have the domestic connections and savvy to outfox a powerful Russian company in a battle waged in the murky swamp of Russian legislation?

“When the laws are unclear, then you can not simply hire lawyers (and have them decide the issue)—Kagalovsky explained.—You have to decide yourself whether you are willing to run the risk.”

This was an impressively devious scheme and it worked. Foreign firms were unwilling to run the risk. But Chrystia Freeland was intrigued how had Kagalovsky ensured that the laws were written in so precisely vague a fashion as to make it legally too risky for foreigners to participate. Kagalovsky’s answer was an enlightening one “Well, of course, I wrote the law myself, and I took special care with it.”

The notorious vagueness of the Russian laws turned out to be not the result of the terrible Russian/Soviet legacy, not result of bad foreign advice, but something totally different. The laws were vague on purpose and their explicit goal was to keep foreigners out. The Byzantine story of the “purchase” of Yukos is the best illustration of the fact that only insiders survive in the oil fields of Siberia.

In a private conversation a senior British diplomat complained that Western investors are simply not allowed to enter the corrupt market. “They simply do not want us—said the diplomat—they do not want our investments, they do not want even our bribes.”⁴

It was the discovery that corruption is a hidden form of protectionism that is mainly responsible for multinationals joining the anticorruption movement

4. Interview of the author of this essay.

and pressing for effective curbing of corruption. It does not mean that multinationals are not corrupting any more, it simply means that now they prefer the normal markets. In comparison with the developing world where multinationals—especially those tied with the former colonizers—are “local” and enjoy the fact that they are plugged in the existing networks, in the former Soviet block foreign investors discovered the price of being outsider.

World Bank against Corruption

But it was not only multinationals and US that discovered that corruption is disadvantageous, it was the World Bank and (by association) IMF that discovered that corruption can be useful in solving other problems.

It tends to be forgotten that both World Bank and IMF were Cold war institutions and that their missions have been shaped in the context of the global confrontation between the free world and communism. World Bank played an important role in preventing the invasion of communism in the poor third world countries. In playing its assisting but also containing role, the World Bank was particularly cautious with the sensitivities of its third world clients. For the whole cold war period the word “corruption” was simply absent from the vocabulary of the IMF and the World Bank. “When I came to the World Bank—wrote James Wolfensohn—I was told that

there was one word I could not use, which was the 'C' word, the 'C' word being 'corruption'. Corruption, you see, was identified with politics, and if I got into that, I would have a terrible time with my Board."⁵

But starting with 1996 World Bank and IMF were not in a position to keep corruption out of their concern. Several reasons are responsible for the World Bank and IMF turning face to corruption. The first reason was the pressure for more transparency and accountability with respect to World Bank and IMF programs. In the eyes of its critics the institutions of Washington consensus were not just soft on corruption, they were blamed for being sources of corruption. The second reason was the US pressure to include good governance as part of the World Bank and IMF conditionalities. The third was the escalating criticism of the policies of the Washington consensus, especially with respect to IMF and the World Bank performance in Russia, and pressure from influential conservative circles in US to close the World Bank or at least to minimize its role (Naim Moises, 2000).

Fighting corruption became part of the new strategy of the World Bank and to a lesser extent of IMF to prove their usefulness in the post-cold war world.

For the Bank, the agenda of good governance and transparency made three distinctive gains: it put in one package the management re-structuring of the institution, undertaken by the new president James

5. Remarks at Global Forum on Fighting Corruption.

Wolfensohn, and the new stress on institution-building and knowledge; it improved the image of the Bank; and thirdly, it allowed the Bank to distinguish itself from the orthodox policies of the IMF.

In its 1997 Report the Bank re-discovered the state and reformulated its position on the relations between the state and the market. The conclusion of the Bank was that functioning market is impossible in the absence of the functioning state and that institutional reforms should be the priority in the process of transition.

It was not the wrong policies but the wrong priorities that were blamed for the policy failures. In the vocabulary of the Washington consensus the weak institutional environment was responsible for the failure of the initial reform package in places like Russia. Corruption served the role of a general explanation for a variety of policies failures in different environments. What constituted a common place between the different cases of failure was the existence of endemic corruption. Focus on corruption helped the Bank to explain its failures. It also gave a platform for in-house reformers like Joseph Stiglitz to ask for the change in the orthodoxy. But in order to address corruption, the World Bank needed to de-politicize it. “I visited a number of countries—recalled Wolfensohn—and I decided that I would redefine the ‘C’ word not as a political issue but as something social and economic.” The redefinition took place in 1996. Corruption was not about politics any more.

The success of the second-generation reforms was

declared conditional on the successful elimination of hyper-corruption. There was a need for comprehensive global anticorruption initiative. In 1997 the World Bank published a policy document entitled "Helping Countries Combat Corruption" that placed the World Bank as an anticorruption advisor of last resort.

At the same time it is important to underline that World Bank's "discovery" of corruption can not be reduced to a cynical strategy designed to recycle old policies and to gain new legitimacy. Such an interpretation is close to the heart of the radical leftists and to the radical French, but it misses an important point. It was the emergence of the World Bank's experience with Russia as the paradigm-maker in reformulating the problems of global development that explains the new anticorruption obsession of the International Financial Institutions. The obsession with corruption was the direct result from the obsession with Russia and transition economies as whole.

How the New Science of Corruption Was Born

This most intriguing part of my story is not about the American pressure on OECD negotiations on bribery, it is not on the World Bank's obsession with Russia and its institutional interest in turning corruption into an economic issue. It is not a story about the role of the global NGOs. It is a story about social sciences.

The invention of corruption as a global policy issue that can be solved with the “one size fits all” policy would be unimaginable without the radical discovery that corruption is measurable. It was the radical transformation of the social sciences’ discourse on corruption that made the current global anticorruption campaign possible. The new anticorruption consensus brought into life the new anticorruption science. And the new anticorruption science manufactured the data that have justified the new anticorruption consensus.

Corruption was traditionally a strange issue for the social sciences. It is almost absent from the theoretical discourse in the end of 19th and the beginning of 20th century. “Corruption” is absent in the indexes of the collected volumes of Marx and Mill. For the 19th century corruption was something to live with, something to gossip about, and something to complain against, but not something to reflect upon. “Corruption” could be found in the newspapers and pamphlets but not in the scholars’ works.

It was the perception of corruption mainly as a moral issue that kept it out of the interest of social researchers. In his book “Corruption: Ethics and Power in Florence in 1600–1770” Jean-Claude Waquet shows that in the studied period the discourse on corruption was not a discourse on government but a discourse on human nature. This is the reason why corruption was reported but not reflected in the political literature. The conviction of moderns that corrupted individuals corrupt institutions made corruption mar-

ginal to the debate on institutions. The successful anticorruption reforms that were undertaken in US in the late 19th century came more as a result of two distinctive organizational dysfunctions than as a result of the new ideas in studying corruption. It was the growing ineffectiveness of contracting out public services and the growing inefficiency of patronage-based employment as government grew up, that created a momentum for civil service reform (Ackerman, 1999).

In recent times the uneasiness of social sciences with corruption is related to the problem of definition. Definition that is universal enough to include all the acts of corruption in different cultures and different historical times, and a definition that will turn the debate on corruption in something more than a serial of case studies.

Three basic approaches are competing in defining political corruption. The first defines it as an abuse of public office for private gains. The second defines corruption with respect to public interest and public opinion. And the third is a market-centered definition, where corruption is defined as market type of behavior outside the realm of the market. All these definitions have their strong and weak points. And they all define in a different way what we study when we study corruption (Heywood, 1997). The definition debate was constantly coming back confronted with questions like: can we confine our research on corruption to the acts of misuse of public office that are criminalized by the law, or should we also include the

acts of corruption that are still not criminalized. How should we treat the situation when certain acts are perceived as corrupt by the existing colonial legislation, but public opinion does not perceive them as corruption? And if we adopt public interest or public opinion centered definitions of corruption, how to define the public interest, and whose opinion is public opinion? Should we confine corruption to its monetary forms or should we include also the non-monetary forms of bribery? How private gain should be defined in the context of corruption research? All these discussions are well known to scholars of corruption.

But the major problem about corruption never really was how to agree on a working definition: the problem was the data. Because corruption is a crime but it is a crime that nobody is interested to report, the cases of corruption ending in court are insignificant in comparison with the number of corruption transactions taking place. And the proven cases of corruption are ridiculously rare. Reliance on public opinion can be also misleading. Anticorruption rhetoric is often used for political purposes and the conviction of the public that their or their neighbor's society is corrupted register more often the prevailing of anti-corruption rhetoric than the actual state of affairs.

The problem of data is also the problem of the legitimacy in measuring corruption. What do we claim when we say that corruption has increased in a certain country? Do we claim that there are more corrupt transactions per person, do we claim that more people are involved in acts of corruption, do we claim

that public opinion perceives the country as more corrupt, or do we claim that corruption has reached the highest levels of power?

The other difficulty with corruption is defining its functions in society. The present consensus that corruption hurts development was not a common sense even a decade ago. In the 1960s and 1970s corruption was an excessively debated issue with respect to the Third World but there was no consensus on its effects on development. The economic miracle in Asia did not support hard stand on corruption. South East Asian tigers did well despite the fact that they were perceived as corrupt. The other reason making scholars and policy-makers cautious in condemning corruption was political. In the cold war period corruption was viewed by many as a democratic disease: so many military coups and communist takeovers in different parts of the world were legitimized with anti-corruption rhetoric. "Graft is a factor in the Cold war"—wrote *The Economist* in 1957. The anticorruption rhetoric was perceived as the cover for communist revolutionary rhetoric.

In the 1960s and 1970s there were two principal schools in assessing the role of corruption in developing countries. In the view of people like Huntington corruption could have positive effects. It reduced violence. And was a form of adjustment to modernization. It was anti-revolutionary. "He who corrupts a system's police officer—claimed Huntington—is more likely to identify with the system than he who storms the system's police station" (Huntington, 1968).

Corruption apologists adopted Robert Merton's functionalist analysis of the political machines in the US in showing that corruption can not be analyzed outside the concrete context in which it appears and that in many cases corruption is functional for the development of society.

In his book “Comparative Political Corruption” James Scott demonstrated several hidden functions of corruption in the context of post-colonial modernization. Corruption, for example, was the only channel for Chinese minority in Malaysia to have access to the political decision-making. In the case of Soviet Union “*blat*” (non-monetary exchange of favors) was perceived as a form of adjustment of the population to the economy of shortages. In the late 1964, Nathaniel Leff of Columbia University argued that “corruption may introduce an element of competition into what is otherwise a comfortably monopolistic industry...and tendency towards efficiency can be introduced into the system” (Leff, 1964). Bribery was also rationalized as time saving mechanism for transactions taking place in highly bureaucratic environments.

The moralizing school in debating corruption was not ready to accept the progressive role of bribe in the developing countries. It pointed to the lasting effect of corruption on the functioning of the national administration and its negative effect on civic culture. Corruption critics estimated the effects of corruption much more in the long perspective of state and soci-

ety building than in the perspective of its immediate costs. But what was common place between apologists and moralizers was the understanding that corruption is a context sensitive issue, and that analysis of corruption should be contextual in its nature. It was a heresy in the 1960s and 1970s to believe that a global anticorruption policy package can be designed and that it can be offered to Nigeria, Russia, Mexico and China at the same time.

In the context of this old debate the current anti-corruption paradigm is distinctively new. The de-contextualization of the anticorruption knowledge started with turning corruption from political into economic problem. Three major “discoveries” followed, that gave birth to the new anticorruption paradigm.

First was the discovery that corruption is an institutional problem. Second was the discovery that old knowledge on corruption is policy irrelevant. And finally the great discovery that corruption could be quantified.

The story of these three great discoveries is the story of how the economic discourse marginalized all other discourses in debating corruption. The major turn in understanding corruption was the assumption that the corruption act is a rational behavior that takes place under certain incentives. Putting incentives right was declared enough to reduce the endemic corruption behavior. If in the 17th century people tended to believe that corrupt people corrupt the institutions. The last years not simply demonstrated

that institutions corrupt people, but insisted that the problem of corruption is the problem of policy choices. People are corrupted because they implement policies that sustain corruption. In its economic formulation the discourse on corruption is de-contextualized and normative. It is the individuals and not the community and its adopted practices that were turned into the only legitimate starting point in studying corruption.

This de-contextualization of the understanding of corruption became possible because non-economists failed to argue the risk of global anticorruption policy. The failure of the anthropologists, sociologists and political scientists to challenge economists' monopoly over the corruption debate has to do with the discovery of the political incorrectness of the cultural arguments with respect to corruption. In the development debate in the 1960s many anthropologists and political scientists focused their attention on the case studies of corruption, illustrating the fact that different forms of corruption characterize different political and cultural regimes. Differentiation was the basic methodology in studying corruption. The individual was "rationalized" in his/her own cultural and political environment. The old discourse on corruption was arguing that different political regimes create conditions for different type of corruption. No direct connection between the spread of the petty corruption and the rise of political corruption was found. The old discourse was looking for explanations. It was a corruption and not anticorruption discourse.

In arguing that Western norms for corrupt behavior are not applicable to the non-western societies, most of anthropologists and political scientists perceived their position as defense of non-western societies against the unfair accusations of them being over-corrupted. In the 1980s the same arguments for cultural distinctiveness started to be read as a pretext for treating these societies as inferior with respect to development and economic growth. Anthropologist found their position severely attacked by their beloved natives. The academic debate on the political economy of corruption in Africa in the last years illustrates the resistance of the Africans to study corruption in cultural terms. This opened room for global approach to the issues of corruption and fitted to the policies of the Washington consensus.

The Washington consensus that was the flavor of the 1980s marked the end of the split between the development economics and the mainstream economic theory. It was accepted that the way in which nations became prosperous is not different for the different parts of the world. Moreover, it was discovered that prosperity could be achieved simply by adopting the right policies and sticking to them.

This radical turn in understanding development reformulated the major findings of the old corruption studies. It was a commonplace in the 1960s that poorer countries tend to be more corrupted. In the 1990s the common sense was that it is not that poor countries

are more corrupted, it was that corrupted countries are poor.

The claim of the new anticorruption science was that corruption has nothing to do with cultures, corruption is characteristic of institutional environments and characteristic of certain policies.

But all this new knowledge on corruption was normative in its nature. It was very difficult to verify it, because corruption was not measurable. Turning corruption into de-politicized economic issue needed new tools for studying it.

The new moment in constructing corruption as a global issue was the discovery that corruption can be measured.

Like all great discoveries, the discovery that corruption can be measured was a child of luck, interest and accident. In its willingness to influence the public and to mobilize support for global anticorruption actions Transparency International decided to produce a ranking of the countries according to the way their level of corruption is perceived by the senior executives of multinational companies. In 1994 TI produced its first corruption perception index.⁶ Interviewing senior and experienced executives of multinational companies and balancing their answers with the information coming from other sources TI came with a table ranking 53 countries in the world. The impact of the corruption index was shattering. All

6. TI corruption perception indexes can be seen on
www.transparency.de.

major newspapers around the world published it and comment on it. Opposition parties started to refer to it. Governments began to attack it. But the most important effect was the public conviction that it was possible to compare how corrupt certain countries are and to monitor the rise of corruption in a single country.

The estimation of corruption on a national level was not an invention of TI: a company called Political Risk Services has been making for years its estimations of the corruptiveness of the business environment in different countries. It has been offering its estimations to business clients but these estimations were never presented as “measuring corruption.” Political Risk Services kept its estimations private and never made a scientific claim with respect to its ranking. The company knew that its corruption estimations are based on impressionistic evidences.

Publicizing their corruption perception index, Transparency International also did not declare that they succeeded in measuring actual corruption. The expert part of the group underlined that this was perception index.⁷ But the thing was done. The ranking was in the newspapers. The next stage was easy. When the ranking was produced econometrists started to work on this ranking, or the Political Risk Services ranking, producing cross-country regress analyses.

7. Over the years TI experts worked constantly on their methodology.

The list of findings reads like this: corruption hurts economic growth; it reduces the level of foreign investment, that is if two countries have otherwise equal conditions FDI will go to the less corrupted one; corruption hurts mostly poor people; it distorts the logic of public investment (governments favor projects with higher corruption potential), and so on (Tanzi, 1998; Rose-Ackerman, 1999).

Corruption was not any more about anecdotes and contextually sensitive analysis. The study of corruption was portrayed as similar to the study of inflation. The causes of corruption were reduced to the effect of the governments' role in politics. The Transparency International corruption index that was designed as a PR instrument was manipulatively turned into hard data on the base of which the new anticorruption policies started to be designed. Economists managed to solve the basic problem with respect to corruption—the lack of data, and on the base of the legitimacy enjoyed by any quantitative type of analysis radically marginalized non-economic discourses on corruption. Recently several researchers, including World Bank in-house researchers⁸ criticized the methodology of Transparency International. They tried to put limits to the speculations coming from the quantitative analysis of corruption, but this clarification can not change the fact that the discovery of the measure-

8. Daniel Kaufman, www.worldbank.org/wbi/gac.

ment of corruption radically changed the discourse on it. The latest publications on the issue are full of statistical correlations.⁹

It was this major change in studying corruption that legitimized and made the new global anticorruption policy package possible.

Anticorruption and Reform

The study of the making of the anticorruption consensus contrary to the assumption of the current anticorruption studies makes me believe that the global anticorruption consensus was not the result or response to the rise in corruption or even in the visibility of corruption. The consensus came as a result of the emergence of a coalition of global players that see their interest in focusing on corruption. These global players are the US government, International Financial Institutions and big foreign investors. Each of them has their own reasons to focus on corruption. US government sees the anticorruption campaign as an instrument for promoting its trade interests. International Financial Institutions see in the anticorruption campaign an instrument for mobilizing support for their policies. Multinational companies see in the anticorruption campaign an opportunity to reduce the

9. Bibliography of the recent anticorruption studies can be found both on the websites of Transparency International and World Bank.

hidden protectionism in the emerging markets. It was this coalition of interests that made out of corruption a central policy issue. But it was the emergence of the Transparency International as a global anticorruption NGO, speaking with the voice of the “local” and the new date coming from the new anticorruption science that legitimized the new consensus that corruption is a global policy issue. The marginalization of the non-economic discourses on corruption became the major pre-condition for the emergence of the new anticorruption consensus.

The result is a new policy paradigm and a new rhetoric, which are beyond criticism. It is this lack of critical reflections on the global war on corruption that provoked my interest. The idea to study the making of the global anticorruption consensus came to me as a result of the striking observation that the anticorruption policies package promoted by the World Bank and IMF are basically the re-designed policies of the Washington consensus. The paradox is that local democracy activists who are otherwise restless to attack these policies became silent when these same policies came back to them dressed as anticorruption measures. Anticorruption rhetoric turned to be the major justification for the neoliberal policies in the field of economy and governing.

The consensus on corruption that is a consensus on the economic, social, and political costs of corruption was presented by IMF and World Bank as a consensus on causes for corruption and policies to curb it. What the global and local agreed upon was that en-

democratic corruption hurts economic growth, increases social inequality and erodes democracy. At the same time there are two distinctively different anticorruption arguments.

The free market anticorruption argument is an argument against the corrupting effect of big government. "The growth of corruption—wrote Vito Tanzi—is the long term effect of the growth of the role of government in economy. I would hypothesize—he continues—that the impact that high taxes, a high level of spending, and new regulations have on the acts of corruption is not immediate, but rather a function of time" (Tanzi, 1998). Tanzi's hypothesis is at the heart of the Washington consensus on corruption. The rise of corruption is constructed as a long-term effect of the functioning of the interventionist state. Big government was singled out as the major source of corruption and the foundations for new global anticorruption policies were laid down. Economists started with the assumption that it is the big government that corrupts, so the next logical step was to suggest that the only successful anticorruption campaign is the withdrawal of government from economy.

The democracy anticorruption argument is an argument against the democracy deficit of the modern societies, but is also an argument against the excessive power of the market. It is not the big government that corrupts—it is the big money that corrupts. It is the illegal funding of the political parties, the criminal closeness between government and business that

causes corruption. The local civic activists traditionally view the war against corruption as the war between “the people” and “the interests.” In the long history of anticorruption rhetoric, it was much more often this anti-market argument that has captured public imagination.

The free market anticorruption argument is an argument that insists on deregulating the economic life and withdrawal of the state. The democracy argument is the argument for effective state regulation and effective limitation of the influence of money in political process.

The two arguments are not necessarily contradictory but they do not necessarily argue for the same policy priorities. And they are not equally represented in the global anticorruption campaign. Payments to foreign officials, that distort the logic of competition, are criminalized by the OECD convention, but payments to political parties and party officials that steal the power of the voters are not excluded from OECD convention criminalizing overseas bribery (Rose-Ackerman, 1999).

The free market anticorruption argument is an argument for less tax. The democracy argument is an argument for more taxes, because rights have costs (Holmes and Cass Sustain, 1999). You can easily reconcile the free market and the democracy anticorruption arguments rhetorically, but you cannot at one and the same time reduce and increase the taxes. The perception that anticorruption consensus is beyond the liberal-conservative divide is an illusionary one

In this respect the global anticorruption response prepared by the World Bank meets the logic of the free market argument but not always meets the logic of the democratic argument.

The question is why the “local” missed to see the asymmetry in the global response to corruption?

My answer is that this “blindness” has something to do with the very nature of corruption as political, economic, but also moral issue. As Anechiarico and Jacobs have powerfully argued in their book “The Pursuit of Absolute Integrity” the moral disgust with corruption is so high among the public and policy reformers that anticorruption policies are never object of cost-benefit studies. The moral costs of corruption are perceived as so high that any costs of the anticorruption policies are welcome. It is the “moral” character of the issue that keeps anticorruption campaigns beyond the usual procedures for policy accountability. The anticorruption discourse remains normative.

The new anticorruption knowledge additionally strengthens the normative character of the anticorruption policies. The new studies on corruption are mostly studies on the costs of corruption. They do not present strategy for anticorruption policies. The finding that corruption hurts economic growth does not give instructions of what to do about corruption. The studies on the political economy of the anticorruption reforms started to appear just in the last two years (Rose-Ackerman, 1999; World Bank, 2000). And some of their findings go against the priorities of the adopted anticorruption measures.

Designed as consensual and non-political, the global anticorruption policy package promoted by the World Bank resulted in re-cycling some of the most contested policies and aspects of the Washington consensus. The “local” was blind to notice the normative nature of the current anticorruption crusade because for them “corruption” was never normal policy issue. The “local” was hijacked by the rhetoric of anticorruption. In the ideas of democracy activists, anticorruption politics is by definition progressive and reformist.

Traveling back to my communist time memories, I have the depressive intuition that I have already experienced the mis-recognition of anticorruption campaign as genuine reform. It was in the distant 1980s when the Berlin wall was still there but there was an even higher wall between people and the communist government. The rhetoric of anticorruption was one of the few possible discourses of social criticism. Recognizing the crisis of confidence, communist authorities undertook massive anticorruption purges in an attempt to re-gain the confidence of the people (Leslie Holmes, 1993). Anticorruption rhetoric was reigning the cover pages of the government-controlled media. In the eyes of many of us it looked like reform. It turned out to be a failed attempt for counter-reform. It is this distant memory that made me cautious when anticorruption rhetoric started to dominate the policy debate. The global approach tends to de-politicize issues, turning them into problems for experts (read economists). And anticorruption politics tend to manu-

facture fake consensuses. But policies are not to be decided by experts only. And it is not enough to know that "God does not take bribes." At least this is how the democratic argument goes.

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