

CHAPTER 11

Combating Corruption: Investigative Journalists on the Frontlines

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Abstract: Around the world, journalists uncover corruption, abuse of power, and financial misdealing – often at the risk of serious consequences or under financial constraints. These are also important issues in economic research. Economists address similar problems from a different perspective, and offer logical explanations for the factors that enable a risk of corruption, its harmful impact on society, and why governments fail to enforce their anti-corruption laws. Below we discuss some of the problems of corruption and how investigative journalism contributes to controlling it. We are interested in what the disciplines of journalism and economics can learn from each other. The more authoritarian leaders weaken integrity standards in governance, the more financial secrecy providers facilitate grand scale crime; and the more barriers there are for journalists who seek to disclose misdealing, the more important it is to join forces across countries and across disciplines.

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Introduction

While one indicator of a country's democratic performance is how it treats its media and journalists, one indicator of the quality of the media and journalists is their ability to investigate and reveal wrongdoing and

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its consequences for society. In this chapter, we address the role and impact of journalism in exposing and curbing cases of corruption, abuse of power and financial misdealing, and discuss what journalists and economists can learn from each other.

Journalists are on the frontlines of combating corruption. Although acting against corruption and fraud does not always require public exposure of the misconduct, it often does: cases must be discovered, and facts must be brought out in the open. People involved in corruption must be induced to tell what they know – and what they know can then be used to induce others to provide further information. The investigative methods of journalists, and their ability to publicize the findings of an ongoing investigation, are well suited to this task.

When other integrity mechanisms fail, journalists can often bring to light misconduct rooted in greed and political deceit. Sometimes their investigations uncover fraud in places where it is not expected – as when journalist Siri Gedde-Dahl and her colleagues documented systematic fraud in the Water Administration of Ringerike outside Oslo in low-corruption Norway. In other cases, journalists investigate wrongdoing in places where it might be expected, but where it is considered difficult or dangerous to probe too deeply – for example, because powerful players profit from misdealing and protect corrupt practices by all available means. For instance, it is a well-established fact that corruption is rampant in some resource-rich and conflict-ridden countries. To hold perpetrators accountable, however, we need more than general patterns of corruption and allegations that are probably true. We need the facts – about who is involved, how they commit crime, and who condones the practice – to enable and encourage stakeholders on the national and international levels to act.

Tom Burgis, a former Africa correspondent for the *Financial Times*, has done exactly that, exploring how corrupt elites together with powerful international corporations – from the biggest mining company, BHP Billiton, to one of the largest oil companies, Royal Dutch Shell – exploit resource-rich countries throughout the African continent. His 2016 book, *The Looting Machine*, shows that legitimate businesses cannot thrive when political elites are corrupt, and likewise that honest elites cannot

thrive when international corporations are willing to pay bribes.¹ Corrupt politicians and corporations, which are willing to be part of the schemes, crowd out the accountable and honest ones, with grave consequences for the great majority of citizens.

Misconduct is also rampant in conflict-ridden countries such as Colombia. To hold wrongdoers accountable, somebody has to tell the truth about the many-sided confrontations that involve governments, landowners, urban elites, leftist guerillas, and rightist paramilitaries. Whom do you trust when politicians and governments are so corrupt that they even corrupt drug deals? To whom can you report corruption when the media are dominated by the interests of the urban elites and become part of the conflict? A few independent investigative journalists in Colombia have been almost alone in providing impartial reporting that seeks to make sense of the chaos of violence, kidnappings, drugs, and corruption. Among them is Juanita León, who was a reporter for the *Wall Street Journal* before returning to her native Colombia in 1998. Much of her work is summed up in the book *Country of Bullets: Chronicles of War*,² which spares no one in its coverage of misdeeds by the paramilitaries, the government, and the guerrillas. It shows how the drug trade, illegal mining and kidnappings financed the civil war in Colombia, and describes the consequences for ordinary citizens who are victims of brute violence, and who nevertheless contribute to civic resistance against the brutality.

Investigative journalism has also played a key role in disclosing rampant corruption in the global arms trade. In fact, while trade in weapons constitutes only one-half of one percent of the total value of international trade, there are reasons to believe that a much larger share of corrupt transactions takes place in this sector.³ Therefore, the need to document the “who and how” of corruption in the arms trade is particularly pressing. Such work is complicated by the secrecy surrounding many deals in the defense sector – they are exempt from laws on access to

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- 1 Burgis (2016). Shaxson (2007) also documents grave cases of corruption and power abuse in the international oil sector.
 - 2 León (2009). First published in Spanish in 2005, translated to English in 2009.
 - 3 Joe Roeber (2005) suggests that 40 percent of corruption in international trade stems from the arms trade. Such estimates are of course highly uncertain.

information – and by mixtures of politics and commercial interests that blur the line between the legal and the illegal or unethical. Andrew Feinstein shows in his book *The Shadow World: Inside the Global Arms Trade* that this kind of research is nevertheless possible.⁴ The book documents many corrupt deals in the international arms business and explains who is involved – including, for example, Europe’s largest defense sector corporation, BAE Systems, and the United Kingdom’s former prime minister, Tony Blair.

These stories are noteworthy because they cannot be taken for granted, a fact highlighted by Dean Starkman’s book from 2014 *The Watchdog That Didn’t Bark*. The title refers to the recent shortcomings of the business press in the United States – and perhaps everywhere – in critically covering the fraud that caused the financial crisis. Starkman explains how the number of investigative journalists in finance was in free fall prior to the crisis, and how business journalists were driven by misplaced emphasis “tilted toward personality-driven stories, not deconstructing balance sheets or figuring out risks. Stocks were the focus, when problems were brewing in derivatives” (p. 251).

When journalists do carry out critical investigations, however, they exercise what we might call *obstructive power* aimed at power abuse and crime. Detecting fraud through journalistic research is one part of this power, and shaping public opinion by exposing the wrongdoing is another. Journalists play a key role in generating the moral shame associated with involvement in corruption and wrongdoing. Hence, present campaigns by some public officials against the press in the United States and other countries, casting aspersions such as “fake news,” are intended in part to undermine the media’s role in exposing wrongdoing, and to curb the pressure for political accountability.

In this chapter, we consider investigative journalism through the lens of our own discipline – economics. We highlight the complementarity of the two. From our perspective, investigative journalism has a healthy priority of case-based presentation. Economic research in academia, by contrast, seeks to identify patterns across cases, trying to make causal

4 Feinstein (2011).

inferences based on theory and statistical evidence. Both fields might be strengthened by learning from each other.

We focus the chapter on the problem of corruption, which we define as the misuse of power for personal gain. Corruption deserves special attention because it implies collusion among the powerful at the expense of society – and often it is the root cause of fraud, income inequality, violence and even war. Many cases uncovered by journalists have involved decision makers in government or other sectors who take bribes; yet journalists have also investigated higher level and complex forms of collusion that go far beyond simple definitions of bribery. Coverage of such cases is more than the documentation of rule violation: in many cases, it means the exposure of structural challenges that allow power abuse and threaten democratic institutions.

Corruption is important because of its consequences, not because of legal definitions or because famous individuals are involved. Economics offers logical explanations for the factors that enable a risk of corruption, its harmful impact on society, and why governments fail to enforce their anti-corruption laws. While cases presented by journalists inspire and enrich economic research, we also believe that learning across disciplines might strengthen journalists' coverage of structural and other complex challenges, and make these accounts appealing regardless of the names and drama that are normally believed to attract readers.

In their daily work, many journalists face serious constraints, including attempts to intimidate or silence reporters and their sources, as well as the effects of economic pressure on the news media industry. As various forms of authoritarian government take hold around the globe and curtail freedom of the press, promoting and protecting journalists' ability to investigate corruption and publish their findings becomes ever more important and in need of support.

The risk and consequences of corruption

In 1996, in a landmark speech, World Bank President James Wolfensohn referred to the “cancer of corruption” and the threat it poses to society

and development.⁵ Is this a reasonable metaphor? Why is corruption a cancer, when favors for friends, aggressive marketing or lobbying seem acceptable in most cases? What factors affect the risk of corruption, and why are anti-corruption laws, regulations, and institutions not sufficient to eliminate corrupt practices?

Corruption is important because of its consequences

Many of those who write about corruption do so without much discussion of the consequences, as if they were obvious. In reality, the consequences are far from straightforward. Different forms of corruption have different effects on society, and the effects depend on the context in complex ways.⁶ Nevertheless, some general mechanisms are quite clear.

Citizens who are forced to pay bribes bear extra costs. Markets where companies win contracts through bribery fail to promote value for money. Productive companies that lose contracts because competitors pay bribes may leave the market or start offering bribes themselves. Bribing diverts resources away from innovation and improvements. Where corruption is rampant, some of the best and honest companies lose out in domestic and international competition.

Similarly, in government, corrupt decision makers may misallocate funding to areas where politicians and bureaucrats can grab personal rents rather than to areas that meet social needs. For instance, when bribe revenue trumps value for money, we can get “corruption-driven construction”: politicians and bureaucrats allocate revenues to infrastructure and defense at the expense of health and education, areas where there is typically less scope for rent-seeking. Even with large allocations to infrastructure, the quality of buildings, roads, and utility provision suffers, and there may be numerous instances in which services are contracted and paid for but not delivered. Projects are planned and described as if

⁵ Mallaby (2005).

⁶ For a review of the literature on the consequences of corruption, see OECD (2015).

they were genuine, while in reality they are tools for stealing state revenues or creating opportunities for bribery.

Construction projects that have been started for no purpose other than corruption often end up as useless “white elephants.” In Zambia in the 1990s, with political considerations driving decisions by the country’s industrial development corporation, “multi-million dollar brick factories were set up under an official directive in the rural areas of Kalalushi and Nega Nega, but transporting the bricks long distances to the construction sites raised their costs to uneconomic levels, with the result that the construction industry increasingly switched to the use of concrete blocks.”⁸ In such cases, one must ask whether the project is just the result of bad planning and incompetence or whether there is some corrupt purpose – such as creating opportunities for rent-seeking, or to divert money to a specific area to cement the loyalty of local voters to the incumbent regime. In their article “White Elephants,” James Robinson and Ragnar Torvik argue that such inefficient and unproductive projects may in fact have large political payoffs, in essence buying votes for incumbent politicians and helping them remain in power.⁹

Corruption in electoral politics affects the selection of office holders, a topic beyond the scope of this essay. Once in power, corrupt leaders frequently enrich themselves while blocking social and economic change, as in Angola, Cambodia, Colombia, Venezuela, and Zimbabwe – to mention a few.

Corruption also harms development through the venal practices of lower-level civil servants and functionaries, such as health workers, customs officials, police officers, or teachers. When bribes are the stimuli for service provision, the public sector allocates benefits unfairly and inefficiently. Those in need have to wait longer for services than those who pay bribes, and honest citizens may turn to expensive private markets to buy what they were supposed to get for free. Bribing distorts critical information when those who pay bribes receive unduly favorable assessments of

7 Estache (2004).

8 Tangri (1999).

9 Robinson and Torvik (2009).

their performance. Law enforcement suffers when law-breakers can pay bribes to go free.

Where bribery of civil servants is common, citizens lose trust in public institutions. Why should they obey society's rules if those who are supposed to enforce the rules break them consistently? With benefits allocated unfairly and private sector profits skewed towards corrupt actors, income differences increase between dishonest insiders and honest outsiders.

Petty corruption, bribery for contracts, crony capitalism, and grand corruption will not have equally harmful consequences. Some forms of corruption are more damaging than others. While it makes sense to expect more serious consequences when the crime happens higher up in government and politics, there is no obvious way to predict the severity of effects. Low-level corruption could in some cases have more damaging consequences than high-level corruption: for example, a low-ranking customs official might take bribes to allow terrorists to smuggle weapons, while a high-ranking politician who takes a bribe might end up having less influence on decision making than the bribers expect.

Various factors affect corruption risk

A useful starting point for considering the expected risk of corruption – if we define risk as “probability X consequence” – is to think of corruption as *a trade in decisions* that should not be for sale.¹⁰ Through this perspective, the element of a deal becomes immediately clear. Without someone willing to pay, there will be no deal. The more values are controlled by the decision maker, the higher the payment. The consequences obviously depend on the counterfactual, that is, on what would have happened had the deal *not* been made.

Important in this connection is the allocation of bargaining powers. A very asymmetric allocation of bargaining powers implies that the briber is, in fact, subject to extortion – like the regulator who demands a bribe to provide a business license, or the police officer who stops drivers and

¹⁰ Søreide (2016).

falsely claims they have been speeding and owe a fine. A bribe might be paid, but the briber dislikes it and may well report the incident afterwards. By contrast, when both players have similar bargaining positions, as in cases of crony capitalism, both of them may have an interest in the deal and in keeping the crime hidden.

The risk of corruption depends not only on the willingness to pay a bribe, but also on public officials' authority to control values that bribers are willing to pay for. This authority depends primarily on two factors: the *degree of scarcity* of the desired public benefit and the *extent of discretion* in the allocation of benefits.¹¹ When public benefits are available to all, it is hard for officials to demand bribes. When decisions are steered by rules and monitored in detail, there is little room for deviation. Thus, building permits and procurement contracts, for example, are associated with far more corruption risk than is the provision of electricity, since in the latter case public officials have too little authority and too low bargaining power to demand large bribes. Normally, the risk of corruption is higher when higher values are at stake, as is the case with defense contracts, construction projects, and so on.

Democracy, which in theory allows corrupt leaders to be voted out, can be a factor but provides no easy way out of the problems. Voters typically have insufficient information, or misleading information, about hidden forms of corruption, and in any case, they have many concerns and priorities beyond anti-corruption to consider when they go to the polls. The charisma and populist appeal of even the most corrupt politicians may charm voters.¹² Other factors that may add to the risk of corruption under democratic rule include the importance of securing revenues for political campaigns and the share of lame duck politicians (politicians who cannot be reelected may be tempted to grab opportunities for self-enrichment while they exist).

Democracy may, however, be an important means to curb corruption, especially in contexts where political competition is strong. Political corruption thrives with impunity when the incumbent is either certain

¹¹ Rose-Ackerman and Palifka (2016).

¹² Søreide (2013).

to remain in power no matter what, or, alternatively, has no chance of remaining in power through reelection. But when incumbents believe they have a good chance but no assurance of being returned to office – let us say, a fifty-fifty chance of being reelected – they may be more careful.¹³ Under such circumstances, even minor fraud or a small scandal may lead to a politician’s downfall or even a change of government, and the incumbents’ incentives to take a long view on their political prospects are stronger.

The letter of the law is an insufficient indicator of harm to society

Corruption as *trade in decisions* regarding the allocation of public benefits may skew decisions to serve the interests of those involved, regardless of how government formulates its rules about corruption. As mentioned, corruption is a problem because of its consequences, not because criminal law defines it as a crime.

Politicians in a position to influence the definition of crime and the enforcement of the law might also misuse their authority to secure personal benefits. By keeping legal loopholes open, preventing investigations, and exerting pressure on courts for biased verdicts, they help to secure a soft regime for the corrupt – and possibly impunity.¹⁴ Even honest legislators will not be able to write laws that cover all contingencies in a complex financial or international market. Clever lawyers can quickly identify loopholes that exist for tax avoidance, bribery, market concentration, exemption from public procurement rules, and more. If no regulatory agency objects, market players may well adhere to the *letter* of the law while totally ignoring the *spirit* of the law.¹⁵

For these reasons, journalistic research that focuses only on those who violate the letter of the law, and on accusations likely to hold up in court, may fail to uncover misconduct with potentially damaging

¹³ Rose-Ackerman (1999).

¹⁴ See Søreide 2016, Chapter 3 for examples from OECD countries.

¹⁵ Pollack and Allern (2018) point out this concern with reference to the telecom sector. For cases of financial secrecy, see Shaxson (2011), and Schjelderup (2016).

consequences. In all societies, there are elements of collusion between private interests and public sector decision makers, no matter what formal definitions are applied. The most effective journalists research and document such cases regardless of the letter of the law – or the expected outcome of a possible court case.¹⁶ They avoid making false allegations by documenting their facts and by using broad terminology to describe existing practices that resemble corruption, even if the legality or illegality of specific actions is in doubt.¹⁷ Unclear legal classification of practices should not prevent journalists from covering cases of collusion, grabbing, and exploitation, and explaining their harmful consequences to society.

Governments fail to enforce their anti-corruption legislation

Most societies have laws, regulations, and institutions of some kind that promote integrity in governance and fair competition in markets. This is in part the result of impressive international collaboration for better and more harmonized legislation, more efficient oversight institutions, and improved legal assistance across borders. In practice, however, these laws and institutions vary in their rigor, and enforcement also varies widely across countries and cases. In particular, governments often fail to enforce their laws on economic crime when the alleged offenders are large corporate actors that operate internationally.¹⁸

Broadly speaking, there are at least two reasons why presumably legitimate governments fail to enforce the intention of the law.¹⁹ First, the form of regulation most common today, namely criminal law, developed for the regulation of individuals guilty of crimes, is ill suited for the regulation of *corporate* or *institutional* misconduct, where it may appear impossible to single out a few guilty individuals.²⁰ Not only do corporate

16 Ron (2016) explains how the challenges play out in Ecuador.

17 For relevant terminology, see Søreide (2015, pp. 2–3).

18 Garrett (2014) and Feinstein (2011).

19 Søreide (2019).

20 Søreide and Rose-Ackerman (2018).

offenders navigate around the risk of detection and enforcement actions, as mentioned above, but the prosecutors' burden of proof is too high for crimes committed within organizations. Cases of suspected crime often end with some negotiated settlement at the pre-trial stage – or no charge at all.²¹

Second, in many countries, the rules and agencies responsible for market oversight have evolved with a mandate that is too narrow to embrace complex forms of economic crime. The tax authority can accuse a player of tax evasion only, even though the case might very well involve several forms of crime. Competition authorities address violations of competition law, with few incentives to investigate whether corruption facilitated the practice. Complex forms of market-related crime and corruption require consistent regulations and the facilitation of an exchange of information among regulatory agencies, on national and international levels. Across European countries, such regulations and exchanges are rarely in place.²²

The role of investigative journalists in controlling corruption

Misuse of authority for personal benefit is often difficult to detect. Collusion between powerful players happens in secret. They hide bribes and other illicit monies in trusts and tax havens, and make use of apparently legitimate transactions across corporate structures. The more authority officials have, the more discretion they normally exert for personal judgment. The more factors office holders are expected to consider in making decisions – from employment to national security to the environment – the harder it is to accuse them of biased decision making. Fortunately for society, these sorts of difficulties motivate many journalists to deploy their investigative skills.

21 OECD (2014); Arlen and Kahan (2017); Makinwa and Søreide (2018).

22 Auriol, Hjelmeng and Søreide (2017).

Journalists uncover hidden wrongdoing, but audience response is mixed

Investigative journalists can carry out detective work that describes fraud or other malfeasance in action. Who is involved? How much did they loot? How did they do it? Is it continuing? *Washington Post* reporters Bob Woodward and Carl Bernstein, who uncovered the Watergate scandal in the Nixon White House, spent almost two years developing leads and sources, including the mysterious Deep Throat. More recently, the International Consortium of Investigative Journalists (ICIJ) worked with journalists around the world to analyze a huge cache of leaked financial documents, known as the Panama Papers, that revealed international financial scandals entangling many prominent government officials and other public figures. Less widely known, but just as important, are the many local journalists who have investigated corruption on the local or national level, producing findings that gained scant international attention but that were consequential in the societies concerned. The German journalist Günter Wallraff went undercover in various guises to reveal profit-motivated abuse of power and exploitation of the less influential segments of society in Germany. British journalist Michela Wrong provided a penetrating account of corruption in Kenya, linking it both to their colonial heritage and to post-independence politicians. There are countless other examples – including stories presented in other chapters of this book.²³

Investigative journalism is similar to other types of research in that only a minor fraction of it turns out to be important at the end of the day. No one knows, however, which part of the total amount of investigative activity will yield significant findings, and this is especially hard to predict when it comes to investigations of corruption and fraud, where it is so difficult to document suspected wrongdoing. The total sum of investigative

23 On the Watergate scandal, see Emery (1995) and “The Watergate Story” on the *Washington Post* website, <http://www.washingtonpost.com/wp-srv/politics/special/watergate/part1.html>. On the Panama Papers, see “Leaders, Criminals, Celebrities” on the ICIJ website, <https://www.icij.org/investigations/panama-papers/>. See Wallraff (1986) and Wrong (2009) for examples of their work.

journalistic activity is therefore important even if a given inquiry fails to produce useful evidence and thus may appear to be wasted effort.

In countries all over the world, journalists uncover abuse of power, fraud and corruption that might otherwise be left to continue. They follow threads that lead them to crime; they are approached by whistleblowers who find it unsafe to contact public authorities; and they are contacted by employees of regulatory agencies who are frustrated with their own agency's shortcomings. Most journalists work for news media outlets, but some operate independently or are employed by nongovernmental organizations (NGOs).²⁴

The lower the trust in public institutions and politics, the more a society will depend on journalists to uncover wrongdoing for the sake of holding perpetrators to account through media attention – if nothing else. Even powerful individuals often fear negative front-page coverage of their misconduct. Owners worry about how share prices may drop when profit-motivated crime is uncovered.

The reaction of society is difficult to predict, however, and costly news coverage will not necessarily receive the attention it deserves. Readers want identified individual victims rather than broad social patterns. The demand for revelations of collusion and corruption is also limited. The demand itself is hard to meet: identify serious corruption, find a dramatic twist, and write in a way that piques the public interest.

Investigative journalism can help deter corrupt actors

Journalists' coverage of collusion and corruption may be more than after-the-fact reporting: it can help prevent corruption or affect the trajectory of corruption as it unfolds, since corruption corrupts or, more generally, wrongdoing is contagious.²⁵

24 OECD (2018). Some excellent investigative reporting, especially of transnational corruption schemes, has been sponsored by NGOs – for example, Global Witness. See <https://www.theguardian.com/sustainable-business/2015/aug/21/global-witness-media-dependent-on-ngo-to-investigate-corruption>.

25 Andvig and Moene (1990).

Consider a potentially corruptible public official – say, the manager of an agency with regulatory oversight. A multinational corporation wants to establish a branch in her country. Our manager is in a position to provide exactly the licenses or connections needed, and the company has offered a bribe to secure successful entry into the market. Should our manager accept the bribe and offer the illegal benefit? Of course not. In order to understand corruption, however, we must consider whether, and under what conditions, the expected personal benefit of the corrupt act might outweigh the costs. Awareness of the circumstances under which such an individual is inclined to take (or offer) a bribe makes it easier to understand the problem at an aggregate level.

If our public official rejects the offer of a bribe, she declines extra revenue. However, she keeps her job and her prestigious position in society. If she accepts the offer, there is more uncertainty: if she gets away with it, she keeps the bribe revenue and her job (including future possibilities of bribe taking), yet she has to live with the uncertainty that the case may be disclosed at some later stage. If her offense is detected, the outcome depends in part on who detects it. If a dishonest supervisor uncovers the bribe, the manager might bribe her way out of the situation, but if an honest detector is involved – and particularly if the matter is aired publicly – the incident may lead to investigation and possibly criminal law action. In this scenario, the manager may lose her job, her future salary, and her future opportunity to take bribes.

In addition, the manager may face moral costs, insofar as she considers it a personal burden to violate official rules or norms. Some individuals would never be tempted, whatever the potential benefits of the bribe, while others have no scruples. The higher the moral costs, the higher the bribe must be to compensate for the burden of violating her principles. The prospect of facing public shame and reputational damage if her deeds are uncovered and publicized – for example, by journalists – may weigh heavily in her thinking.

The personal net benefit of corruption thus depends on the probability of being caught, as well as on the size of costs and benefits. Considering the determinants of these variables, we find that each of them depends on the individual's perception of the magnitude of corruption already

present in the society.²⁶ The likelihood of a bribery attempt depends in part on the briber's expectation that he or she will be dealing with a corrupt (or corruptible) and therefore "trustworthy" counterpart. The briber will be careful not to propose a corrupt deal to someone who might report the incident to a law enforcement agency. In a society with pervasive corruption, the estimated risk of being detected by an honest, non-bribeable colleague is lower than in a society where corruption is not widespread. Moreover, the moral cost of corruption will be higher in a society where few are corrupt. Hence, the temptation to accept a bribe depends on the perceived extent of corruption, among other factors. These perceptions may matter more than the rigor of the laws or the law enforcement system.²⁷

If the extent of corruption in society grows or shrinks along with the assumed extent of the problem, societies with similar rules and enforcement systems may develop in very different ways, depending on how domestic and foreign players perceive the extent of corruption. In some societies, the factors that steer bribery decisions all seem to motivate corruption. When corruption is systemic, a society may find itself in a *high-corruption equilibrium* from which it is difficult to escape.

Other countries may experience low levels of corruption. With little effort, it seems, they manage to keep the problem under control. Citizens and firms do not usually consider bribery an option. A low level of corruption makes monitoring and supervision more effective, and honesty more valuable. Both aspects demotivate bribery. Such countries enjoy a *low-corruption equilibrium* that effectively deters some individuals from becoming corrupt.

Somewhere between the low-corruption equilibrium and the high-corruption equilibrium, there must be a critical threshold, a tipping point. As long as corruption does not exceed this threshold, the country remains in the low-corruption state. But once the threshold is crossed from below, corruption approaches the level associated with a high-corruption equilibrium. What might trigger a development toward more or less

²⁶ Andvig and Moene (1990).

²⁷ Moene and Søreide (2016).

corruption – or shake a society to bring it out of an otherwise sustainable equilibrium situation – could be a scandal or a huge rise in bribes paid by multinationals. A comprehensive government anti-corruption strategy initiated by a new government might trigger movement toward lower levels of corruption.

If these arguments about how corruption corrupts are correct, then it matters what various players believe about the extent of corruption in a society and the extent to which the society condemns it and enforces laws against it. Journalists and the media in general can play a key role in this, not only by uncovering corruption, but also through the impact of their coverage in shaping public perceptions.

Disclosures in the press may raise the public's awareness of wrongdoing and thus the moral cost of being corrupt. Cases in the news bring shame on those allegedly involved. In addition, investigative journalism provides information about corrupt deals to honest actors within the state apparatus, who may lead enforcement agencies to act. Foreign journalists are important, too, if their coverage of bribery abroad curbs multinationals' inclination to offer bribes. However, there are also circumstances in which journalists' coverage could make things worse. More coverage of fraud and corruption in a society might lead the public to think that corruption is so pervasive as to be inevitable. Transparency International ranks countries according to their perceived levels of corruption. With more stories about wrongdoing in the news, the perceived extent of corruption will increase, and this may trigger the spiral effects discussed above. Hence, a poor ranking may not just reflect but also encourage bad behavior.²⁸

Investigative journalists face many constraints

A recent report by the Organisation for Economic Co-operation and Development (OECD) details some of the obstacles to reporting corruption, ranging from limits on freedom of the press, to punitive lawsuits,

28 This is why, for many governments, it is most important to improve factors that strengthen the ranking regardless of the underlying challenges (Høyland et al., 2012).

to violence or threats of violence against journalists and their sources.²⁹ These are set against a backdrop of economic contraction in the news industry that has affected its ability to fund complex investigations.

Authoritarian politics – often sold to voters by means of populist arguments around immigration or nationalism – serves to secure power for incumbent leaders and their allies while undermining opposition in non-democratic and often unconstitutional ways.³⁰ Authoritarian leaders may attack journalists who criticize their performance, attacks that are meticulously tracked by Reporters Without Borders.³¹ This leads to a weakening of accountability mechanisms that in turn allows leaders to misuse authority for personal benefit with little risk of facing consequences. Journalists who work under authoritarian regimes contribute to the fight against corruption if they make citizens and voters aware of the blurred connections between populism and corruption.³² Their circumstances highlight the importance of international journalistic networks in supporting journalists working in countries where freedom of the press is curtailed.³³

Particularly in developing countries, it is often hard for journalistic coverage to trigger a process leading to more integrity. This is in part because the value of bribes relative to other sources of income might be higher in poor countries than in wealthier ones, and thus it takes more to change the behavior of those involved in such lucrative dealings. In addition, the more corruption there is in governance, the more challenges and dangers journalists may face in doing their jobs. Many of the journalists who carry out investigations of the powerful do so under conditions of low security and frequent violations of human rights. Pressures are brought to bear on reporters and news executives and on their sources, especially where whistleblower protections are absent or not enforced.³⁴

29 OECD (2018).

30 Snyder (2018).

31 Reporters Without Borders 2018: <https://rsf.org/en/ranking#>.

32 Snyder (2017).

33 In this respect, UNESCO and the Safety of Journalists project plays a pivotal role internationally. <https://en.unesco.org/themes/safety-journalists>. Another arena for establishing networks is the annual Safety of Journalists Conference at OsloMet: <https://blogg.hioa.no/mekk/>.

34 For legal discussion of the Lux Leaks case, see Swanke (2016).

These pressures may include “threatened or actual legal action in the form of civil suits for libel, or criminal prosecution for defamation or publishing classified information.”³⁵

Violence and threats of violence have had a chilling effect on journalistic coverage of corruption in countries around the world. A notable example is Mexico, which, according to Reporters Without Borders, “continues to be one of the western hemisphere’s deadliest countries for the media. When journalists cover subjects linked to organized crime or political corruption (especially on the local level), they are the targets of intimidation and physical violence and are often executed in cold blood. Many simply disappear. Others are forced to flee the country in order to survive. Impunity, which is the result of Mexico’s pervasive corruption, has reached record levels and feeds the vicious cycle of violence.”³⁶ Article 19, a civil society organization working for the protection of free speech, has documented security threats against journalists in a number of countries, including Uganda, Venezuela and Bangladesh, among others.³⁷

As noted by the OECD, limitations on the access to information constitute a formidable bar to reporting corruption, particularly in countries without effective freedom of information (FOI) laws. “Journalists considered inadequate FOI legislation to be one of the two main obstacles to investigating and reporting on corruption cases, the other one being confidentiality of law enforcement proceedings.”³⁸ The OECD has stressed the importance of open data frameworks in countering these problems.

The news media at times may be subject to the very problems that journalists seek to disclose and combat in other arenas – ownership concentration, to be sure, but also corruption, fraud, and tax evasion in some instances. News organizations control scarce benefits insofar as they can decide how to portray people and firms. Around the world, there are numerous examples of journalists who have taken bribes or subtler benefits in exchange for favorable coverage, for coverage aimed at harming others, or for no coverage at all. However, since decisions about what

35 OECD (2018).

36 Reporters Without Borders 2018: <https://rsf.org/en/mexico>.

37 Article 19: <https://www.article19.org/>.

38 OECD (2018).

stories to cover are generally made (or at least approved) on the higher levels of a news organization, it is especially useful to look at the forces that come into play on those levels.

Crony capitalism among owners of media companies and their financial, political, and/or social ties to government figures may lead to pressure on reporters and news executives to skew stories toward a favorable presentation of the incumbents.³⁹ As a result, society may receive half-true stories or silence when scandals deserve attention. In exchange for such favorable coverage, governments may allow cooperative media companies unfair market advantages, while the advice from competition authorities – such as warnings against acquisitions or mergers – is effectively ignored.

Nonetheless, the relationship between market concentration and news coverage is far from obvious. On the one hand, concentration in the news media industry could make it easier for powerful players to succeed in their attempt to exert pressure or offer bribes for the sake of controlling the presentation of a case. With fewer market players to control, it may be easier to exert control. With fewer individuals to bribe, the lower the total bribe expenses. On the other hand, one could argue that with concentration of media ownership, individual media titans become more powerful and thus more able to withstand political pressure if they choose to do so. Moreover, simple bribery is not necessarily the way that governments or powerful figures exert pressure on news executives. The incumbent regime or a large corporation can also withhold its advertising from media outlets to starve them of revenues and force them out of business.

In the digital age, economic forces are devastating the news media industry, especially newspapers, as consumers turn to the internet to get information for free. Advertising and subscription revenues have fallen precipitously, shuttering some media outlets and forcing others to curtail their operations. In this environment, generally speaking, only the largest and most financially stable news organizations remain able and

39 Dean Starkman (2014) argues that in many cases US investigative journalists' silence regarding the financial crisis in 2008–2010 was linked to their media companies' market and ownership situation. Noam Chomsky (2002) suggests that there are subtle forms of collusion between media company owners and decision-makers in government, which affect the presentation of news.

willing to fund expensive and sometimes risky investigative journalism. Nevertheless, even as their industry is buffeted by market forces, many dedicated journalists in countries around the world continue to do their jobs and produce high-quality investigative coverage.

Economic approaches and learning across disciplines

While investigative journalists uncover and deter wrongdoing often under severe constraints, economists interested in similar problems try to explore patterns of wrongdoing, normally under less severe constraints. Economists explore the mechanisms at play, often derived from mathematical models of rather complicated interactions between the actors involved. Next, they seek to test inferred actions and behaviors empirically in order to see whether data support the theoretical results with general validity. At this stage, ambitions go beyond attempts of merely demonstrating correlations. The gold standard of empirical research is to make *causal* inferences between two variables, in the sense that a factor A causes another factor B. In studies of corruption, for example, A could be the entry of foreign players into an emerging market economy, while B could be the extent of corruption. The economic analysis of how foreign players affect corruption in emerging markets might have general relevance, and can also add context and the recognition of what sort of problem it really is when a Norwegian multinational company, such as Yara, pays bribes when entering new markets, such as Libya or India.⁴⁰

Or, we could turn it around, and let A be political corruption while B is productive investments. The ensuing economic analysis of how political corruption attracts foreign bribers or deters honest foreign firms would

40 The newspaper *Dagens Næringsliv* played an important role in uncovering the Norwegian multinational fertilizer producer Yara's involvement in corruption in India and Libya (for a summary in English that confirms this fact, see *News in English*, 18 January 2017: "Yara's nightmare draws to an end". (<http://www.newsinenglish.no/2017/01/18/yaras-nightmare-draws-to-an-end/>). Eriksen and Søreide (2017) confirm journalists' role in uncovering foreign bribery cases more generally.

make it easier to understand and explain why, for example, the corruption in South Africa has been so damaging to the economy.⁴¹

For the researchers involved, causal inferences with general validity are difficult to establish. They test a range of possible hypotheses and search for variations in the data that might support their assumptions. At each step of the process, information from investigative journalism could feed into their work. Cases in the press inspire new ideas of ‘how and what’ and provide examples that justify abstract assumptions. Over the last two decades, economic research has become more oriented toward empirical testing and results,⁴² and thus, directly or indirectly, the discipline relies more on empirical information, including what journalists produce and uncover.

There is also a danger of relying too much on journalists’ case-based coverage of the problem. A case presented in the media is just one case, and given the lack of information about the problem, it may inspire assumptions about the problem’s general features, which might be false. The lack of facts about the true extent of corruption tempts researchers to develop theories based on too little empirical information. And while researchers depend on survey information about the phenomenon, the survey respondents’ perceptions are easily colored by what they learn from a few media cases (where else do they get their ‘knowledge’ about hidden forms of crime?), and their ‘learning’ shapes what they feed into the data available to researchers, such as corruption perception indices.⁴³ One may wonder, for instance, why Kenya is ranked as more corrupt than Tanzania on Transparency International’s index. Is it simply because the press is freer in Kenya?

The very press coverage needed to highlight corruption problems thus distorts the data sources of corruption most commonly used in research. Of course, the resulting distortion of arguments and conclusions is not the journalists’ fault. It just reflects the difficulty of collecting information about the extent of corruption. For journalists it is important to be

41 Although as is often the case, Craig McKune explains in chapter 1 of this volume the hazards for those who seek to explain corruption in South Africa.

42 The trend is confirmed by the American Economic Association, see Chart of the Week (June 26 2017). “An empirical turn in economics research” (<https://www.aeaweb.org/research/charts/an-empirical-turn-in-economics-research>).

43 Andersson and Heywood (2009).

aware of this problem when they read and cite research-based evidence for corruption. With more cross-disciplinary discussions journalists will become better trained to distinguish reliable results from the less reliable.

With more exchange across the disciplines, journalists would also become better equipped to report the consequences of corruption and its structural causal factors, thereby increasing the value of their stories vis-à-vis the sort of readers they strive to attract. Based on our personal experiences, however, we think journalists could build important stories by bringing economists or other researchers into their work at an early stage, for the sake of understanding a problem, rather than later, when they appear to seek primarily a citation that supports their angle. In this respect, we agree with Richard Sambrook's conclusion in his 2018 edited volume about collaboration in investigative journalism – on page 95 – when he says: journalists “should stop thinking they can always ‘go it alone’. International accountability is an issue for lawyers, economists, politicians and lobbyists, scientists, health care professionals, academics, accountancy, business and finance professionals, and more. In a modern approach to accountability journalism, newsrooms should seek to partner and collaborate outside their profession as widely as possible, being open to the expertise of others.”

As for economists, if they have the courage, there might be much to gain in presenting their hypotheses as well as their results to experienced journalists.

Conclusion: Investigative journalism needs society's support

Investigative journalism can be a bulwark against corruption, uncovering hidden wrongdoing and exposing it in a public forum where it can no longer be ignored. From petty bribery to grand larceny to corporate collusion on the highest levels, malfeasance and misconduct of all sorts have been exposed by courageous journalists, often resulting in actions to curb the wrongdoing and hold the perpetrators accountable.⁴⁴

44 Hamilton (2016).

For journalists and owners of media companies, however, investigative journalism represents a risky, costly, long-term investment. It takes time and money to build up journalistic expertise on corruption issues, and a network of sources who are able and willing to provide information. Uncovering venal practices is difficult and time consuming, with no certainty that enough evidence will be found in any given case to publish a story. Wrongdoing can stay hidden, in tax havens or behind complex corporate transactions; or the alleged misconduct may fall into a gray zone, leaving journalists and sources exposed to repercussions while the perpetrators remain unscathed. Given threats to journalists around the world, journalists and media owners must walk a fine line in deciding how boldly to pursue their inquiries and how much to risk.

Journalists can count themselves successful when their stories become too important for governments to ignore, so that citizens, regulatory institutions, and officials are attentive to their reporting and respond by taking action to curb unethical practices. Toward this end, investigative journalists need society's support – and in some cases international support, especially for journalists operating in risky environments. Journalists need to have their access to information and their rights to report and publish respected and protected by law. They and their sources need physical security, including effective whistleblower protections. With the rise of authoritarianism around the world, these ideals must be safeguarded more than ever.

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