

## Consequences of bribery on the Iranian economy

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**Abstract:** Bribery, as clear example of economic crimes, has an undeniable impact on the economy of all countries. It directly or indirectly damages the domestic and foreign parts of a country's economy through underlying for committing other crimes such as customs offenses, good and currency smuggling, counterfeiting, and money laundering. There is a negative relationship between the rate of economic crimes, especially bribery and confidence degree of investors. The lower rate of these crimes, the higher confidence degree of investors and vice versa. High-income classes and the wealthy are the kind of bribes as a tool to protect their assets and even add to it and try to offset these costs in their next economic measures. Recouping these costs burdens more pressure on the poor and low-income strata. Financial corruption and bribery directly or indirectly affect the trading costs, and consequently decrease the investment. These halt economic growth and achievement of economic goals. Exports and imports is way for criminals to transfer their illegal properties to other countries. As this is subjected to specific rules and regulations, bribes is used as a lever to open the legal nodes. It raises the investment costs and affects the quality of project implementation. A sense of pessimism among entrepreneurs and decreased investment, lack of optimal allocation of public spending, creation of a more deep gap between the poor and the rich, and increased transaction costs are the main effects of bribery on the Iranian economy which are discussed in this paper.

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### 1. Introduction

The study of economic conditions affecting delinquency and the mutual impact of delinquency on the economy of countries is of importance among criminologists and economists (Paolo Mauro, 1995). As the scientific study of the relationship between crime economic environments still makes up an important part of criminology, the study of delinquency in economic crisis has gradually gained much attention of misdemeanor sociologists and economists and has opened a new debate among the economists known as "economy of crime" (Nathaniel Leff, 1989). Economy of crime, which tries to analyze the economic aspects of crime, is an interdisciplinary subject that was discussed in economy after the 1970s with the efforts of Gary Becker (Syed Hussein Alatas, 1990). Fleisher was the first economist who economically analyzed the issue of crime. Ehrlich, Sjoquist, Block, and Heinke also studied the economic causes of crime and the effects of crime on the economy. Among lawyers, the theory of economic analysis of crime was basically originated from crime writing of Beccaria (1767) and Bentham (1789). After Bentham, the method of economic analysis of law faced with a downturn until the 1960s and the 1970s (Schleifer, A., and Vishny, R.W., (1993). Other lawyers and economists studied it until Posner wrote a comprehensive treatise and many articles and also issued the *Journal of Legal Studies*, in which articles and studies related to

economic analysis of law were regularly published. Since then, economic analysis of law has remarkably developed (Robert Wade, 1982).

This paper aims to explain the consequences of bribery on the Iranian economy from the economy of crime perspective. In addition to reviewing the views of some economists and lawyers about this that whether bribery causes economic recession in a country or is followed by economic growth and development, the effects of bribery on domestic and foreign parts of economy are discussed in Part 1 and Part 2 and Part 3 will deal with this issue that bribery underlies committing other crimes.

#### 1.1. Effects of bribery on domestic part of economy

##### 1.1.1. Creation of a sense of pessimism among entrepreneurs and decreased investment

The role of capital in economy, alongside other factors such as manpower is noteworthy. If we assume manpower as the axis of economic development, capital is one of its columns. Effectiveness of capital as one of the determinants on economic developments is so remarkable that investment rate is always considered in development plans and annual budget. Investment needs a calm context and a strong incentive. These two factors encourage the investors to bring their capital to production and have a positive effect on the economy of country (You, J., & Khagram, S. (2005). Lack of security leads to increase investment. Some

economists believe that if economic corruptions like bribery become prevalent in a country and ways of fighting against them are not well implemented, that country will face with unsuccessful in attracting capital and capital flight. Investors are like a lubricious beer; they move their capital out of country as soon as they feel danger. The term "hand luggage" referring to the Iranian private sector is due to this. In addition, whenever the investor have no choice to pay bribes to authorities and officials for obtaining the required licenses and during the legal procedures for investment and without paying it this is impossible or may take a long time, then investors whether lose their incentives and prefer to invest their capital in a calm situation and away from corruption in abroad that this leads to the withdrawal of capital from the country and damages the economic policies or forcefully keep investing in the corrupt environment that then offsetting the costs of paying bribes will affect the quality of production.

Corrupt bureaucrats usually direct the state capital toward the projects that allow them to take bribes. So, high-priority projects are not necessarily those that the society needs them to be performed. Additionally, corruption also affects the quality of project implementation (Kaufmann Daniel, 1997). Research show that the biggest cost that economic corruption imposes is not the costs of bribes, but the costs of deviating the policies to non-productive ways by corrupt bureaucrats. Sovereignty of law is one of the effective components in fighting the corruption in society. If the sovereignty of law is weakened, bribery rate is increased and the individual possession right is at risk. This will undermine the economic security that is necessary for investment. As Gary Becker said, "criminals are frugal individuals that make decisions to commit or not commit a crime by comparing its revenues and spending," investors also compare the revenues and spending of investment. Since paying bribes raises the costs of investment, increased investment is observed in environments contaminated with economic corruption. This result shows in a sharp decline in income and tax revenues. Therefore, the lower the rate of economic crimes has been caused the higher the confidence degree of investors and vice versa (Genaux, M. (2004). Ritzen, Estioly, and Volouk, in their article under the title of *Good Politicians and Bad Politicians, Social Solidarity of Institution and Development*, found that confidence has an acceptable state in rich countries with a rate of 50%, while it is lower in developing countries. Confidence rate in Central and Eastern Europe countries (15-35%) is higher than Latin America countries (about 5%). The rate of confidence in Turkey fell from 10% in 1990 to 5% in 1995. African countries have approximately the same

state as Central and Eastern Europe countries and also Latin America countries (Bahmani-Oskooee, M., & Nasir, A. (2002). Asian countries also have the same confidence rate as developed countries and Central and Eastern Europe countries. So, rich countries rank at first and then Asian countries, Central and Eastern Europe countries, African countries, Latin America countries, Turkey rank, respectively.

584 people were asked in a survey on corruption in Iran. The results showed that 75% of them believed that corruption occurs in government levels and only 2% thought that corruption doesn't exist at all. 48% believed that financial abuse of the authorities is one of the reasons that country cannot progress. The overall results of this study indicate the majority of people believe that the Iranian economy suffer from corruption.

#### **2.1.1. Lack of optimal allocation of public spending:**

The budget of each country should be spent on general welfare of society and its progress in industry, health, and education. According to the principle of reservation fees, maximum payment of spending is limited to the approved credit of the agencies and it is forbidden to exceed. Therefore, any payment without legal authorization and approved funding in the document is not possible. Political and economic security of society is threatened with the prevalence of bribery and other economic corruptions and the government has no choice to spend public funds to detect the crime and identify the criminals and dealing with them. Given that many of these unforeseen crimes are classified as incidental crimes, enhancement of police forces, employing experienced experts, detectives, prosecutors, and judges, etc need special funds that sometimes are not anticipated in the budget. Although these credits also aim to provide the security of society, it deviates the government's focus on welfare issues (Means, H. (2001). When the officials and police officers receive bribes from businesses and criminals, bribers do actions to compensate the costs caused by paying bribes that ultimately burden a lot of cost on the government. For example, one of the senior staff of the Russian Interior Ministry has said to the correspondent of the Economist that possibility of bribery is a major reason for people to join the police force. Judges also receive bribes from criminal organizations like other state employees. According to official estimates in Russia, about 2500 organized criminal groups have taken more than 40000 companies and governmental and non-governmental institutions including banks under their control. So, Russian criminal organizations, like Casa nostra syndicate in Sicily, use wealth to consolidate their

power and apply power to increase their wealth. Victor Ilyakhin, the president of the Russian Parliament's Security Committee, claimed in 1994 that 81% of suffrage in privatized companies is controlled by offenders.

### 3.1.1. Creation of a deeper gap between the poor and the rich:

Poverty is a global phenomenon that parts of people in each society have been tackling it since the beginning of the first human communities. Poverty is the cause of many conflicts in a community. Currently, this rooted phenomenon is plaguing one-fifth of the Earth's population and all coordinated efforts done by international community, especially after the second World War have been unsuccessful in eradicating this unpleasant phenomenon.

There have always been poor and rich throughout the human history and the rich have exploited the poor by their wealth in many cases. This part deals with this that how bribery deepen the gap between the poor and the rich (Bijan Khajehpour Edited by John Esposito and R.K. Ramazani, 2001). It is obvious that administrative corruption, especially bribery deepens the gap between poor and rich through specific mechanisms resulting in discrimination in providing services and distributing them. In a society where economic corruption "reigns", a wide range of poor strata are deprived of services offered by money (*Global Information Network*, July 15, 2004). For example, in a society where bribery is common, whenever there are many applicants for getting the required license for investment, each applicant who pays more bribes will be successful. So, wherever economic corruption is rampant, development is damaged and this severe impact on poverty. In addition, the poor receive fewer social services like health and education. Economic corruption moves the infrastructural investment from projects to help the poor and makes it impossible to use the tools of entrepreneurship on smaller-scale enterprises to eliminate poverty.

Sue Hawley, in her article under the title of *Privatization, Multi-national Companies, and Bribery* translated to Farsi by Homa Ahmadzadeh, states that corruption, whether in England, Africa or Asia, damages the poor before and earlier than others and make them poorer (Tanzi V., 1998). When money is everything available for purchase, the poor are those who are driven out when decision and being pushed to margin. The money that can be spent on improving services and raising the living standards of people are directed toward large, costly projects with high commissions. In this condition the poor are struggle to provide the basic needs of their life and make ends meet (Rose-Ackerman, Susan. (1978).

Hugh Bailey, a member of the British Parliament, in his speech in the House of Commons mentioned that bribery costs over all falls on the shoulders of the poor. When contracting parties in this or that rich country pay 15% bribes, this amount is added to contract price and their power station or irrigation system would cost more, and consequently poor people who are the buyers of electricity and water for their daily tasks pay the costs of bribes. Therefore, bribery is a direct method of transferring money from the poor to the rich. Economic analysis of data related to income distribution showed that increased economic corruption reduces the share of low income by 80% and increases the share of top income by 20%. This analysis also indicated that much of the negative charge caused by increased economic corruption is imposed on low-income strata and there is an inverse relationship between corruption and economic development.

Analyses performed using new diagnostic tools in the field of governance have shown that how economic corruption acts as a regressive tax. For instance, in Ecuador the share of income of poor households which is spent on bribes in order to achieve public services is three times more than the high-income ones. According to various official diagnostic studies in Latin America in the 1990s, bureaucrats limit the accessibility of the poor to basic services in organizations full of corruption and lack of meritocracy and fail to follow policies to reduce poverty, while meritocratic and less corrupt organization makes it easy for the poor to access these services (Tanzi, Vito and Hamid, Davoodi. (1997).

Where bribery is common, high-income strata and wealthy aristocrats apply bribery as tool to protect their assets and even add to it.

It is said that economic corruption tends to concentrate wealth and not only deepens the gap between the poor and the rich but also provides illegitimate means for the rich to protect their position and interests. This underlies social and political instability which result in committing other crimes.

### 4.1.1. Increased transaction costs:

Any type of corruption, whether grand corruptions that is mostly done by politicians and statesmen or bureaucratic corruptions (petty corruptions) that is performed by the staff of departments, institutions, and companies or legislative corruption that the members of parliament are its doers, directly or indirectly increases the cost of transactions. Increased transaction costs are followed by a reduction in investment which leads to

slow economic growth and finally failure in achieving economic development goals.

As investors notice that through which process the issuance of investment licenses are done and how much it costs, costs of economic corruption makes some investors overlook investment in some situations. Thus, government industrial policies to encourage investors to invest in different industries fail to succeed (Jain, A. K. (1998).

Paulo Mauro, with a comparative study of 70 countries, showed that widespread corruption has reduced private sector investment. In these circumstances, bureaucrats are reluctant to invest in manpower development, because the amount of bribes and corrupt gains from investment in other projects are more than that of investment in manpower training and development. Hence, the governments sometimes adopt the aggressive policies of industrialization and direct large sums toward it. Economic corruption leads to incorrect allocation of scarce talents and resources by increasing the operational costs. This distracts, disrupts, and even limits investment priorities and technology selection. In economic research of Mauro, it has been shown that corruption destroys trust and confidence in the market and negatively affects the credit of financial institutions of each country. Credit loss due to economic corruption reduces global opportunities and sustainable growth and paves the way for the growth of criminal organizations with short-term goals. On the other hand, economic corruption causes increased transaction costs. This declines the country's economic competitiveness compared with other countries and reduces the motivation for healthy economic activities. When corruption and bribery are widespread in the field of economic activities, initiatives, innovation, technical knowledge, and experience are not considered as effective capabilities of investors. Hence, people, especially talented manpower try to obtain a legal rent or a governmental authorization through paying bribes or agreement with officials, instead of using their creativity and innovation. If didn't so, they could potentially promote the capacity of community in terms of technical developments (Lambsdorff, G. (2000). Stamper has proved that corruption and bribery have a direct relationship with operational costs. Briefly, operational costs include the costs that are paid by the parties of contracts for information acquisition or due to the lack of following the provisions of contract by the other party or in order to monitor, control, and legal enforcement of contracts. So, operational costs involve the costs of search, pursuit, and contract signing that are part of an economic exchange. Operational costs can be both the cause and the consequence of corruption, as some economists

believe that high operational costs are the most obvious sign of corruption.

### **2.1. Effect of bribery on foreign part of the economy:**

The foreign part of the Iranian economy has never been immune to the invasion of bribery. This crime has broken the boundaries of the national economy and penetrated into international economy and trade, as the international economic organizations consider bribery as the most important financial and administrative corruptions and a serious obstacle to trust and confidence in the international exchange. Foreign investment, on which the foreign part of each country's economy depends, underlies the development of international trade and plays a great role in economic life of countries. Large sums are invested in foreign countries that are due to the cheaper labor in those countries or utilization of their domestic resources. Investment in both developed and developing countries is motivated by different reasons. Foreign investment is considered a significant element in the national economy in developed countries that foreign investors set its conditions in many case. Concerning the rules of investment, it is almost unimaginable to invest in a country without the permission of local authorities. The country where investment takes place (the host country) regulates the legal basis of investment. Domestic rule are equally applied about domestic and foreign investors. However, the investee countries may set restrictions for foreign investors, especially in terms of their area of activity. Export is one of the most basic and major components and an integral part of economic development in each country. It is also considered as the main tool for economic maneuver. Some economists believe that exports are the engine of economic growth and development. An export, as one of the components of gross domestic production, is itself a reason for the presence of competition on price and quality. An export is variable and fluctuating in countries dealing with economic corruption. Change in above0mentioned countries could be a sign of corruption state in each country and the necessity of paying attention to this issue. Exports and imports are used by perpetrators to transfer their illegal income to other countries. Bribery also affects exports and imports and as an illegal lever opens many nodes in this path. In terms of exports, most activities done by offenders are focused on luxury goods and antiques. On the other hand, the income gained from such export activities will not return to country. Imbalance in foreign part of economy followed by instability in domestic part of economy is the results of all these activities.

Traders involved in exports and imports do not have a complete authority. The government

announces a list of goods that are free to be imported by individuals at the beginning of each year which is known as quota. According to this list, the goods may be imported are announced and government receive the commercial benefit from importers that varies depending on the type of goods in order to back domestic products and industries. In addition, opening a letter of credit to pay for imported products is free for some of goods but is subjected to special conditions for others (Mauro, P. (1997). Some facilities are usually intended for the exports of good and Iranian goods exporters are encouraged but they are obliged to sell the exchange obtained from exports to one of the authorized banks.

Economic policy makers in Iran have taken appropriate measures to support exporters. The single rate of exchange, selection of top exporters, financing the exports with appropriate fees, establishment of Export Guarantee Fund of Iran, export award, and most importantly, elimination of export taxes are some of these measures (Wei, S. (1997). International trade contracts are major infrastructure of foreign investment and export and import as well. The problem of bribery there has always been in these contracts. For example, the 1919 contract between Iran and Britain is a clear proof of corruption in the Iranian bureaucracy system after the Constitutional Revolution. In confidential documents of Foreign Affairs Ministry of England it has been mentioned that Fathollah Khan Akbar, nicknamed Sepahdar the Great and known as Sepahdar Rashti who was the Prime Minister of Ahmad Shah, claimed for commission for the approval of contract. This has been reflected in the report of Norman, Britain ambassador to Iran, to Lord George Curzon, Foreign Secretary of Britain. In terms of this contract, Fathollah Khan Akbar asked for 100000 lira for himself and influential members of Parliament. International trade contracts are still suffering from the problem bribery and it is the source of debates in international trade companies and institutions.

As mentioned before, there is a view among economists that says corruption and bribery is necessary to economic development. Brown Epti, a French lawyer, in his article under the title of *The Paradox of Bribery From the Perspective of Trade Rights* in 1990 stated that bribery is a real paradox; it is simultaneously denied by all and common throughout the world. He criticize the idea of those who believe that bribery is against public order and says, "it is endangering to attribute a principle of public order to a legal system like France, according to which committing bribery in international business relations undercuts the legal effects of contracts." In fact, what is most felt in from practical rights survey is flexibility that has changed due to personal and

social ethics in issues such as adultery, abortion or lottery game. Bribery has also the destiny; although its legality in the area of public law is still unknown, it has not also determined illegal. The reasoning of this French lawyer is not accepted, because prevalence of a social criminal act could not be a cause to undermine its moral and legal ugliness. Regardless of the correctness of his reasoning bases, his words indicate the presence of intense corruption in international business contracts under different titles and names such as commission, dealership, representation, by contract, recommendation, technical help, etc.

There are two solutions to this problem; one is that to accept paying bribes and the expenses of lobbying local authorities as the current procedure to sign commercial contracts, like Mr. Epti and another is the establishment of a method or procedure to create a healthy and free from any corruption environment for international trade transactions to be signed. Factional, regional, and global policies emphasize on moral and value aspects of fight against bribery on one hand and lead to reduced cost of economic and trade activities in developing countries that are the main center of undue exercise of influence, on the other hand. Organization for Economic Cooperation and Development of the United Nations ratified a convention in 1997 under the title of *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*. Paragraph 1 of Article 1 of this convention says, "Each Party shall take such measures as may be necessary to establish that it is a criminal offence under its law for any person intentionally to offer, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business." Paragraph 4 of this article also states, "Foreign public official" means any person holding a legislative, administrative or judicial office of a foreign country, whether appointed or elected; any person exercising a public function for a foreign country, including for a public agency or public enterprise; and any official or agent of a public international organization."

United Nations Convention against Corruption ratified on October 27, 2003 has also emphasized on it in Article 16. Article 16 of this convention is as follows:

Article 16: Bribery of foreign public officials and officials of public international organizations:

1- Each State Party shall adopt such legislative and other measures as may be necessary to establish as a criminal offence, when committed intentionally, the promise, offering or giving to a foreign public official or an official of a public international organization, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties, in order to obtain or retain business or other undue advantage in relation to the conduct of international business.

2- Each State Party shall consider adopting such legislative and other measures as may be necessary to establish as a criminal offence, when committed intentionally, the solicitation or acceptance by a foreign public official or an official of a public international organization, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties. Given that this convention is legally binding after the accession and ratification by Parliament of the Islamic Republic of Iran, cultural and religious outlook on the laws and social phenomena, one of the provisions of the general policies in the twenty-year outlook offers active engagement with the world in all areas and effectiveness in the global economy level and another provision suggests Effective participation in global and regional markets and active participation in international division of labor, and finally fourth and fifth development programs have emphasized on foreign trade growth, it is necessary to bribery of foreign public officials and officials of public international organizations be taken into account in domestic law. At the end of this part it is noteworthy to say that disrupting the transit of goods and facilitating illegal trade are of cases that corruption and bribery have a great impact on their emergence. The reports of research center of Parliament of the Islamic Republic of Iran clarify the situation. According to this report, currently about 16 organizations including banks, terminals, Ports and Maritime Organization, agricultural, animal, and human quarantines, Atomic Energy Organization, Civil Aviation Organization, Institute of Standard and Industrial Research of Iran, Borders Administration, Police force, Customs Administration, etc are involved in the transfer of goods. This has caused confusion in transit sector and increased bribery. Since this problem exists in most countries, Economic Commission of the United Nations planned a convention under title of *International Convention on the coordination of border control* whereby all institutions involved in clearance are

obliged to operate under the management and cooperation of Customs Administration.

### 3.1.1. Underlying committing other crimes:

From the perspective of criminal law, some crimes are directly the introduction of committing other crimes. For example, as long as no robbery is done, the crime of buying stolen property is impossible to be committed or until no murder is occurred, deliberate hiding the victim's body is not conceivable (World-Bank (1997). Sometimes a crime indirectly underlies committing other crimes. For instance, drug dealing by the head of a family and imprisonment and confiscation of property can underlie his wife's corruption and prostitution. There is the same story for bribery; whenever a person is obliged to pay a heavy duty, he/she prefers to evade it by paying less money as bribes to customs officers and then commit smuggling to compensate the costs caused by bribery. So, high duty underlies bribery and bribery itself underlies smuggling. The same story is true in signing both national and international contracts.

Johnson, Coffman, Zidon, and Lobaton concluded in their research that underground and illegal activities like smuggling can spread when economic corruption is prevalent. The spread of smuggling and underground activities also reduces government revenue. So, government has no choice to increase tax rate in order to compensate the reduction in revenue. Increased tax rate also put pressure on entrepreneurs. Hence, they seek solutions to get rid of this situation that resorting to bribery and other violations is one of them. When taxes are not paid, government revenues are reduced and this it makes the government unable to pay adequate salaries to their employees and underlies more economic corruption and this cycle is repeated continuously. When corruption and bribery are rampant in a society, many of recipients of bribes who don't want to be directly identified by bribers get someone as an agent to take receive bribes from briber and pay it to bribe receiver. According to Article 539 of Islamic Penal Code, the mediator agent also is punishable as a criminal. Noteworthy to say, the third part of economy which is known as "Shadow Economy" originates from economic corruption and bribery. Dealership and so on is included in this part of economy. When bribery is widespread in an office and senior staff attempt to obtain bribes, lower ranking officers also are encouraged to commit this crime. So, this creates a circle of dealers who receive bribes. Another issue is that bribery, like smuggling, usury, embezzlement, and drug trafficking, can be the cause of money laundering. The simplest definition of money

laundering is presented by Jacques Borican. "Money laundering is a mechanism through which revenues obtained from organized illegal and criminal activities are shown legitimate," says Jacques Borican. Money laundering also means to hide the genuine nature of interests gained from an illegitimate activity through transfer, change, conversion or transfer by electronic devices in order to eliminate the illicit origin of these interests (Lipset, S. M., and Gabriel S. L. (2000). So, if a bribe receiver intentionally commit one of the triple items of Article 2 of Anti-Money Laundering Act ratified by the Parliament of the Islamic Republic of Iran in 1386 (according to the Iranian calendar), he/she has simultaneously committed both bribery and money laundering. Given what mentioned above, bribery can underlie committing other crimes such as customs offenses, goods and currency smuggling, drug trafficking, destruction of governmental documents, forgery, and so on.

### 3) Conclusion:

According to what mentioned before, there is no consensus among economists on the consequences of corruption and bribery on economy and whether economic corruption results in economic recession and damage economic bases of a country or leads to economic development and growth. Reviewing the economic theories, the following two main views can be mentioned in this regard:

1- The fans of the first view who are in minority believe that financial corruption has positive functions such as accelerating the administrative tasks and its prevalence is one of the factors effective in economic development of each community. They also state that bribes are a factor to facilitate the efficiency in short term which is done by circumventing the rules and reducing administrative barriers.

Tanis believes that corruption allows those whose time is worth to indirectly come to the first queue or makes it possible to projects be awarded to companies that are most profitable.

Bribes are also known as "Speed Money" which reduces the delay in administrative procedures. Queuing model, that has attracted much attention in theoretical writing, enables the corrupt officials to distinguish different prices between clients based time preference. Suggestion of "Speed Money" idea by a economists called Louis made a new topic under the title of "Louis Queuing Equilibrium Model" to be known.

2- The supporters of the second view believe that economic corruption result in bad consequences for a good government and worse consequences for bad government. This phenomenon can lead to fragmentation and splurge on resources that could be

used in production. Corruption also raises operational costs so that the investment is restricted.

Pranab Bardhan has reviewed the discussed ideas about positive function of bribery and shown that all these arguments have serious bugs and no need at all to be judged from a moral perspective. He believes that corrupt markets are less efficient than legal ones and bribes may encourage shareholders to create a false efficacy-where willingness to pay more bribes is respected and welcomed-, instead of entering the market. A survey on leaders of developing countries has shown that 60% of them believe that economic corruption is the main obstacle to development in their country. Studying economic and legal principles and arguments made on both theories, the author believes that the impacts of financial corruption on the economy of countries are always negative and where it seems that corruption and bribery are followed by acceleration in some affairs or economic projects, other dimensions and effects of this criminal social and economic act can greatly damage the economic structure of a country.

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