

AN EXTENSION TO THE THEORY OF CORRUPTION AND THE SIZE OF THE PUBLIC SECTOR AS A CAUSE OF CORRUPTION

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World Bank defines corruption as “the misuse of public office for private gain.” Corruption is still problematic in many countries including Sri Lanka. Up to now thirteen theories of corruption have been developed. However, when examining Sri Lanka and some other countries, it can be observed that some authorities in the same hierarchy or in different hierarchies get together and collectively engage in corruption. As such, these collective behavioral patterns of authorities needs to be captured by theory of corruption. Also, empirical research studies show that the size of the public sector may have a relationship with the extent of corruption. In Sri Lanka also, expansion of the size of the public sector can be seen. On this background, this paper is to (a) make an attempt to develop a theory of corruption and (b) to analyze the relationship between corruption and the size of the public sector. The theoretical contribution was made by comparing the new idea with existing theories. The relationship between corruption and the size of the public sector was examined by analyzing cross sectional secondary data in 2000, 2013, 2015 and 2016 pertaining to more than 100 countries. In this exercise, corruption perception index (CPI) of selected years with regard to selected countries was regressed on percentage of public expenditure in GDP, and the percentage of public sector’s employment in whole country’s employment. After reviewing literature, and based on views of Adam Smith, when the novel idea was compared with existing theories of corruption, the study finds that once public officials of the same hierarchy or in relevant hierarchies collectively engage in corruption, investigation of corruption becomes incapable or insufficient. Ultimately, the country law fails. Moreover, regression results obtained in light of four cross sectional data sets of selected countries as well as time series data pertaining to Sri Lanka, ensure that there is no clear relationship between corruption and the size of the public sector. The study concludes that there is a scope for further developments of the theory of corruption and the size of the public sector is not a significant reason for corruption.

Keywords: *Corruption perception index, Employment in the public sector, Failure of law, Size of the public sector*