

## **Analysis of Corporate Corruption in the USA: A Descriptive Overview of Recent History**

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### **Abstract**

*Corruption is a world wide phenomenon; corruption has adverse effect in both rich and poor countries. Corruption is very costly to the quality of life in developing countries and increases the cost of business operation in the advance countries. Many rich and powerful multinational corporations in addition to the transfer of technology and skilled management also export illegal corrupt practices that are highly prohibited in their home countries, to developing countries. in a study done by Prof. H.D Vinod of Fordham University in New York City. He was able to determine that corruption leads to slower economic growth through reduced savings, reduced investments and wasted resources.*

He projected the burden of corruption to be about \$1.67 for every dollar of corruption (and could be compounded over time). According to his study also, corruption has the collateral effects of leaving children dying in hospital and permits infrastructure to rust and crumble resulting to abject poverty in the developing countries. For example, \$180 millions dollars was reported to have been paid by Halliburton Corporation to government officials as bribe in Nigeria. If converted to the local currency the amount will be about equal to a fiscal year budgetary allocation for many states in the Country.

This is huge sum that could have been used towards providing basic necessities of life That would have enhanced the quality of life of millions of Nigerians.

Naturally, Halliburton will consider this as cost of doing business in Nigeria and subsequently past the cost to the Nigerian tax payers. Hence, the tax payers are getting pinched on both fronts, this paper analyzed the corruption environment as compounded by foreign multinational Corporations, doing business in the developing Countries especially American Multinational Corporations.

### ***Corporate Corruption in the USA***

Corruption remains the singular most threatening phenomenon to International economic security and global stability. As pointed out earlier in this work, there are various definitions of corruption. To keep it simple, let me revert to the definition used by the United Nations Global Programme against Corruption (GPAC), it defined corruption as the abuse of power for private gain” and it includes both the public and private sectors. Although, there are multinational and regional differences in the perception of corruption but the typical corruption behaviours include behaviours such as the following: conflicts of interest, embezzlement, fraud, bribery, political corruption, nepotism and extortion. Corruption exists everywhere i.e. in both the rich and the poor countries.

The difference is the capacity to absorb the cost of corruption. The rich countries can absorb the cost better than the poor ones. It is now accepted that the behaviour of bribery and corruption is not limited to “third world” countries only, but a global phenomenon. However, it is also a fact that the impact of corruption is far more severe on the poor nations than on the rich nations and in all cases far more punitive to the poor masses than the

Privileged elites as pointed out earlier, no country is immune from the cancer of corruption. In the United States of America for example, corruption is as rampant as it is in Nigeria and Bangladesh with the difference being in the capacity of the US economy to absorb the cost of corruption and also the efficiency of the American Criminal Justice System in combating corruption (when compared to third world countries). The most prevalent form of corruption in the USA expectedly is corporate greed and frauds. Major components of these are embezzlements, price fixing, insiders stock trading, and stock over valuing, over invoicing and so on and so forth.

In the recent years, few cases of corporate corruption in the US have had International attention with separate investigation in multinational countries in few cases.

Cases in mind include Multinational Corporations like the Energy Grand Company, Enron Corp, the Communications Giant MCI - World com and others like Halliburton, Arthur Anderson, Adolphia, Global Crossing, Dynergy Tyco, Quest, Inclone, Xerox, and Martha Stewart's Omni Media Corp. These are just a few multi million/billion Dollars Corporation that are recently caught in the web of bribery and corruption.

To properly understand the level and the practice of corporate corruption in the US, let us examine few of these highly celebrated cases:

(1) ***Enron:***

The Enron Corporation, an energy company that was recently declared bankrupt remains a huge symbol of American Corporate and political greed, selfishness and moral failure. The company via its highly placed executives engaged in all manners of unbelievable financial crimes ranging from bribing politicians at all levels of government (to changing existing laws or create new ones) to ensure the protection of its selfish interest. In addition to its literarily buying off politicians and all government's regulatory agencies, Enron has also co opted the internationally known Auditing and Accounting firm of Arthur Anderson to help in "manufacturing" figures and accounting records to deceive the government, general public, its creditors and painfully its own stockholders. In just five weeks, after their cover was blown open, the financial house of fraud which Arthur Anderson helped to build simply collapsed. The implosion of Enron marked the largest bankruptcy in American history. It is amazing that a company once valued at over \$50 billion dollars simply melted into nothingness. In the words of Paul Vaulker, former chairman of the Federal Reserve Bank, (The US Apex Bank), "Accounting and Auditing in the US is in a state of crisis". Accountants have so much compromised the integrity of their profession to the point that there is little reason to believe any financial report filed with the Security and Exchange

Commission, the US regulatory agency charged with the responsibility of ensuring proper financial and accounting practises for corporations.

***Enron Frauds and Corruptions***

It all started in 1992 when the passage of the National Energy Policy Act allowed energy companies and power producers to compete for the sale of electricity and utility entities. Enron took advantage of this open blanket to catapult itself from a small gas pipeline company to the seventh largest corporation in the USA. From 1995 to 2000, Enron accrued a 40 percent annual increase in the value of its stock. To achieve this, Enron engaged in a myriad of illegal activities which include creating artificial scarcity in the market to drive up the price of energy usage while their cost still remain constant. This singular illegal profiteering ensured a steady increase in huge profit margin for Enron.

The company's greed did not stop at that, it also used various financial instruments and crooked financial reports to inflate the value of its stock which has now become attractive to various investors home and abroad due to their attractive profit margin at least from the statements made public. Enron was later discovered by the SEC and other regulatory agencies such as the CFTC, the Commodity Future Trading Commission to have presented fake financial reports to potential investors and creditors by hiding their debts and over stating their revenue, thereby making

Themselves extra attractive to investors, and other lenders, to successfully achieve this monumental fraud, Enron's officials bought off government regulators, politicians and got accountants to compromise their professional ethics.

While Enron was illegally engaged in price fixing, stock manipulation and insiders trading, it was also maximizing every available loophole in the tax codes to avoid paying business taxes. The company's senior management particularly its (CEO) Chief Operating Officer, Mr. Ken Lay, former CEO, Jeffrey Skilling, Chief Financial Officer Daniel Fastow and others cornered for themselves (when combined) billions of dollars in various compensation packages, perks and stock options. They later (stock options) quickly changed from a legitimate business practice to a get rich quick scam in that these executives knew that Enron's stock were inflated and that its true value is over stated. They allocated these stocks to themselves at discount prices as low as \$39.00 per share and later cash these worthless stocks in the open market for as high as \$86.00 knowing fully well that the bubble would burst sooner or later.

The victims in this madness of corporate greed and selfishness are the innocent Enron shareholders, Enron lenders, and the general public who are the energy rate payers.

For example in California alone, the cost of wholesale electricity soared from the average of 3 cents per kilowatt hour

To 33 cents per same rate in January 2001, this represents an increase of 1000 percent, the extra cost of which is automatically passed to the general consumer. It is estimated that in California alone, rate payers were over charged and therefore due back a refund of about \$7.9 billion dollars.

When the bubble busted and Enron was faced with these multitude of debts owed to various entities including rate payers, government agencies, and other partners, the only option left for them was to file for bankruptcy and liquidation. Going down with Enron is its willing partner and co conspirator, the company that provided the technical know how for Enron to successfully hide its debt and inflate its revenue using all types of loopholes in tax laws and accounting practises. Arthur Anderson, the company in question is faced with multitude of government fines and law suits from many aggrieved Enron business partners, stockholders and lenders who also filed for bankruptcy.

The pity in Enron's debacle is the collateral cost particularly those involving Enron's employees who innocently invested their life savings in Enron's stock and 401k plans based on the fraudulently inflated value of Enron's share, and the average non big time investors who invested heavily in what they thought was a promising business opportunity in Enron's stock and millions of other retirement portfolio including Enron's employees who have hoped for a worthy retirement by investing heavily in Enron stocks

But are now virtually left with nothing as Enron's stock fell to "penny stock" levels after the whole conspiracy was blown open, this meant that Five thousand Enron employees lost their jobs, various pension plans suffered horrible losses and millions of rate payers were "ripped off " through rate rigging and creation of artificial scarcity in the energy sector.

Upon its demise, Enron listed \$36 billion in liabilities. It is believed that at least 20 billion or more are hidden for a total of about \$56 billion dollars. Its asset if sold is estimated at \$50 billion dollars remaining a short fall of about \$6 billion dollars well short of satisfying its overall debts.

### ***Arthur Anderson***

To understand what went wrong in Enron, we must take a brief look at its principal financial consultant, the International Accounting and Management Consulting Firm named Arthur Anderson.

For the crafty jobs done for Enron, Arthur Anderson received 27 million dollars in consulting fees and additional 25 million dollars for Audit services totalling 52 million dollars from Enron. In March 2002, Anderson agreed to pay 217 million to the Baptist Foundation of Arizona Liquidation Trust to settle claims of malpractice out of court.

In July 2001, Anderson paid 7 million to the US Stock Exchange Commission (SEC) to settle another case of fraud and improper bookkeeping at Waste Management Inc. In addition, Anderson contributed towards settling another 220 million dollars class action law suit brought against the same client (Waste Management Inc) in May 2001. Anderson again to avoid court case from a law suit against it by the stakeholders of one of its clients (Sunbeam Corporation) agreed to pay 110 million to the shareholders to settle the fraud law suit. It was also believed that Anderson paid other tens of millions to settle claims brought by federal regulators and other private investors in other cases such as the case of its audits of Charles Keating Lincoln Savings and Loans Bank.

### ***MCI / World Com***

Another case of interest in the culture of corporate greed and corruption that is spreading in the American private sector like cancer is the case of the Telecommunication giant MCI WorldCom.

Here again, Senior Corporate Management staff knowingly falsified the company's financial statement with the sole purpose of artificially inflating the company's (MCI) share value to make the company's stock attractive to investors so as to sell more stocks and also to present an attractive financial pictures to lenders so as to secure more credit lines which otherwise, the company will not qualify for. Many of the MCI Senior Management team have been indicted for fraud and other criminal charges by government investigators. For example, the company's Chief Financial Officer, Scott P. Saliva was indicted on fraud charges, others like David

Myers (former MCI /WorldCom Controller) and former Accounting Director Bufor Yates have both pleaded guilty to criminal charges.

The case of MCI /WorldCom remains a classical example of the “sweet heart” relationship that has long existed between corporate crooks, corrupt government officials and politicians in the USA. For example, when the Stock Exchange Commission (SEC) settled its civil fraud suit against MCI/world com upon which MCI is to pay a fine of \$500,000,000 to the SEC. The company turned around to win a tax subsidy of 300,000,000 based on lies and bribery of corrupt officials and politicians. On top of this, MCI won a whopping 750,000,000 in addition to federal contracts from the General Services Administration (GSA) department in year 2002-2003. When we factor the 500,000,000 SEC fine into the 300,000,000 tax subsidy (via tax refund) in favour of MCI and federal government contract revenue of 750,000,000, the company actually came out with positive revenue of \$550,000,000 of tax payers’ money.

To deceive the public, potential investors, shareholders and lenders, MCI /WorldCom claimed about 11,000,000.00 in capitalized revenue in its “cooked” accounting books. This capitalized revenue was later learnt to be non existent by an audit committee of the shareholders. When this information became public, MCI lenders served notice of default to them forcing the company (MCI) to file for bankruptcy. The discovery of this massive fraud resulted in a speedy decline in investors and shareholders value, devaluation of MCI stocks and bonds evaporated thousands of portfolios while thousands of people lost their life savings, educational funds for their children, retirement funds and other personal assets and real properties all to a culture of corporate corruption engineered by a few Senior Management Staff and Board of Directors of MCI who lied to every stake holders in the company including their own Employees, Investors, Creditors, Vendors, Customers, Federal and State government agencies.

In a further demonstration of the extent to which the cancer of corruption has eaten deep into the American corporate fabric, Xerox Corporation (the world’s largest copier makers) now admitted inflating their revenues by the sum of \$1.9 million for the past five years (see Tom Turispeed report of 06/29/02) at [www.commondeams.org](http://www.commondeams.org)).

### ***The Global Crossing Corporation Scandal***

Global Crossing Corps, a communication giant based in Bermuda but with its engine room and power house on the US soil became the fourth largest company to file for bankruptcy in the US history to date, in January 2002. Again, modest investors lost billions of dollars including a whole personal plan of thousands of communication workers union member and 9,000 jobs were lost, a federal government investigation set in motion has uncovered yet another series of questionable accounting practice akin to those of Enron Corporation-fame, and stock sweetheart deals such as those of MCI/WorldCom saga. Coming out of this debacle is the involvement of Ullico Corp; a privately held Insurance Company owned by the union and its pension funds. Ullico became an early investor in Global Crossing when (in 1997) Global Crossing was looking for investors and Global Crossing’s Chief Executive Officer (CEO) at that time Gary Winnick approached the Director of Investments for Ullico, Michael Steed who interestingly was his former business partner (in Real Estate deals).

The unholy alliance earned Ullico the opportunity to be one of the original investors in Global Crossing with 7.6 million dollars in cash investment. In appreciation of convincing the union members who are the owners of Ullico to provide Global Crossing with the badly needed \$7.6 million seed money and also the opportunity to use the union’s involvement in establishing credibility with the investment community needed to woo other major players to come on board with the needed cash for Global Crossing in August 1998. Garry Winnick, Global Crossing’s CEO allowed Ullico Directors (union leaders) the opportunity to personally enrich themselves by buying Global Crossing stock at discounted prices of \$18 a share only to turn around and sell them to unsuspecting investors at huge mark-up prices. The scheme described above was just a preview of what later became serious betrayal of the working man and woman who have put their trust in the Labour Union leadership to protect their interest and their pension funds.

The Union leaders who were members of the Board of Directors also (in anticipation of big gains from the deals with Global Crossing) purchased shares of Ullico stocks before its value was reset after involvement with Global Crossing and then turn around to sell the same shares back to Ullico after the value has been reset following Ullico’s involvement with Global Crossing. According to the National Legal and Policy Centre (Church Fells Virginia). This translated to buying Ullico shares at \$30 before value appraisal after involvement with Global Crossing and Selling same shares back to Ullico again at a whopping cost of \$64.00 after value appraisal upon involvement with Global Crossing.

In the main time, the Union Pension which owned Ullico did not enjoy this kind of sweetheart deals as the Directors did not invest any of the pension's funds in this deal. With this, the union leaders who are also Directors of Ullico profited immensely at the expense of the workers and the retirees. Ullico Directors later got bold and comfortable with their scam that they decided later in the year 1997 to set up arrangement which will allow Ullico to repurchase its stock from the shareholders. They also ensure a departure from giving Ullico's stock a fixed value of \$25.00 a share, and began the practice of changing its share price annually following determination made by an accounting review. This simply means that insiders (the Directors) will know in advance, any prices change in the value of the share, i.e. whether the price will go up or down and can buy shares accordingly. Secondly, the arrangement also allows the manipulation of the actual market value of the shares by questionable accounting practices (Enron & MCI line) which will hide liability, exaggerate assets and bloat up the true worth of the shares. With this arrangement perfectly put in place, the Directors and other insiders went to work able to buy and sell shares of stock to lock in profit at a given value. In effect, the scheme allowed the directors to make guaranteed "insiders" profits, raking millions from the poor workers, the pension funds and the unsuspecting investors.

To follow this properly, let us look at the account of the events as reported by Aaron Bernstein from Business Week Magazine, published on March 14, 2002 Fall (August) 1999. Ullico now losing money on its operations (mostly due to bad investment decisions made on its behalf by the Directors), but was earning \$127 million dollars by selling some of its Global Crossing Stock (which has appreciated very well) but insiders knew that those gains would lift the annual valuation of Ullico shares from \$54 to about \$146 when the accounting books closed upon review on Dec.31,

1999. Simultaneously in December 1999, Ullico offers each Director or (should we say the Directors offered themselves), the chance to buy 4,000 Ullico shares at the previous year's (1998) valuation price of \$54.00. Meanwhile, the Union Pension funds which owned most of Ullico shares was not given the same offer or even told about it. In Dec. 2000 - Jan. 2001, Ullico bought back 205,000 of its shares at the value of \$146.00 per share with a clause that shareholders with fewer than 10,000 shares are free to sell their entire holdings, thus allowing the directors and other officers who had bought their own 4,000 shares in Dec. 1999 to now cash same share at \$146 per share translating to a deal of  $4,000 (54) = \$216,000$  investment now a  $4,000 (146) = \$584,000$  a net gain of \$368,000 for each of the Directors and other officers.

Meanwhile, it is reported that these insiders knew that Global Crossing was already in trouble and that the decline in Global Crossing Stock actually put the true value of Ullico shares at closer to \$75.00 as opposed to \$146.00 projected to the Union Pension Fund and other investors. By Dec. 2001- Jan. 2002: Ullico was again made to buy back additional 200,000 of its own shares now allowing other Officers and Directors who are yet to "cash out" their entire holdings to do so at \$75.00 per share. Again, insiders knew now that the further collapse of Global Crossing has now put the true value of Ullico shares at \$44.00 per share.

By March 2002, Ullico Pension Fund (the owner of Ullico) and other innocent investors now own a much less valuable company as its Global Crossing earnings have gone disproportionately to its Officers and Directors, most of whom are also trustees of the various Union Pension Funds that lost out on the deal. (See: "Global Crossing: Labours questionable windfall", Aaron Bernstein, Business Week, March14, 2002).

It is important to note that in the United States, Federal Labour Law required the union leaders to serve the best interest of their members and the laws forbid union leaders to accept any "sweet heart deals" including but not limited to acceptance of bribes or any form of financial or material gains (including a range of corrupt practices) that will betray their union members. For example, Federal laws clearly forbid:

- (a) Employers to contribute to union elections
- (b) Employers to give money or anything of value to Union officials
- (c) Union officials to put their personal interest above members' interest.

However, in the case of the Labour Union leaders representing the Communication Workers of America (CWA) brotherhood, the union betrayed their membership at every step in their dealings with Global Crossing, Ullico and the Union members - Ullico Pension Fund. All other interests were protected except the interests of the workers and other retirees.

This case is a clear evidence that in the USA, it is not only the corporate giants that are caught in the web of corporate greed and corruption, the Labour Unions that are supposed to be fighting for the average working men and women are also very corrupt at the top.

## ***Corporate Scandal and Political Corruption in the USA***

### **Halliburton Corporation and the U.S. State Department**

Out of all the recent explosion of corporate greed, corruption and conflict of interest cases that have entangled the President George W. Bush administration, none seems as troubling as the case of the Halliburton Corporation which has been at the centre of all manners of scary revelations of various questionable business and contract dealings with the hand writing of the Bush state department and Sr. Pentagon (the U.S. Dept of Defence) officials all over the shady deals.

At the centre of all of these mess is the number two man in the country, the Vice President himself, Mr. Richard (Dick) Cheney. Mr Cheney was the Secretary of Defence under “Daddy Bush” (Father of the current U.S. President George W. Bush) in 1989-1992. During this period, Dick Cheney successfully created the vehicle for Halliburton Corporation to gain Defence contracts in a non-competitive way i.e. no open public bidding as required by U S government regulations for federal contract. Also during this period, Halliburton emerged as a corporate welfare entity benefiting from at least \$3.8 to \$5 billion in federal contract and tax-payer-insured loans. Under Cheney, the company garnered about \$2.3 billion in contract from the U S Army Corps of Engineer alone for a variety of engineering jobs in global trouble spots such as Bosnia, Albania, Kosovo and Haiti.

After losing in the failed re election bid of the Daddy Bush Administration to President Clinton, Dick Cheney left as the Secretary of Defence in 1995. Dick Cheney was later appointed as the Chief Executive Officer (CEO) of Halliburton Corporation, now as it is commonly said in the U S, the party begins.

As a matter of historical fact, let us remember that when President Dwight Eisenhower left office, he warned the American people about the danger of what he called the military industrial complex in corrupting and undermining the legitimate machinery of government in the US. The validity of his concerns was made whole by the Cheney - Halliburton military-industrial revolving door of tales of conflicts of interests, and corporate greed.

Dick Cheney as said earlier served as the CEO of Halliburton from 1995 to 2000. During this period, there was an active embargo placed on US Corporations from doing business in or with selected countries considered Hostile to the U S, and or supporting groups considered by the US state department to be sponsoring or supporting terrorist groups. Active on the “black list” are countries like Iran, Iraq, Libya and Syria. During his tenure at Halliburton, Dick Cheney managed to push Halliburton which was ranked 73<sup>rd</sup> (of preferred company for contracts by the US army corps of engineers) to number 18<sup>th</sup> on the Defence Dept (Pentagon list) now benefiting from at least 3.8 billion in Federal Contracts.

Moreover, in a clear and smart attempt to get around the US government’s embargo on US corporations against doing business with some countries, Halliburton set up off shore operations in many countries including the Cayman Islands. Using these off shore operations under Dick Cheney (the current US Vice President), Halliburton traded with and did business with all the countries that were on the US government black list. For example, Halliburton did business with Iraq while Saddam Hussein was the country’s president to the total sum of 73 million dollars (near Max Wires Reports of June 25 2001). Washington Post also recorded that the United Nations records revealed that dealings between Halliburton and the governments of Iraq, Iran and Libya were much more extensive than originally reported.

The company was said to have sold unspecified millions of dollars worth of items in oil production equipment and spare parts (Lee Drutman and Charlie Cray of Citizen Works, a public watch group) to Iraq, Libya and Iran.

### ***The Iraq War, International Connection and the Halliburton Empire***

In the pre Iraq invasion days, the loudest voice in favour of invading Iraq was that of US Vice President Dick Cheney. Upon invasion of Iraq, the Bush-Cheney administration continue to award billion of dollars worth of Federal Contract for various jobs in Iraq, ranging from putting out oil well fire to rebuilding the entire country.

In the spring of 2003 (March - April), the Bush - Cheney administration awarded a “no-bid” contract to extinguish oil well fires in Iraq to Halliburton. The said contract was awarded under the administration’s newly unprecedented policy of waiver which according to the Washington Post allowed government agencies to handpick and choose companies for the Iraqi construction projects as opposed to calling for open competitive bids amongst willing and able companies. In an ultra strange and unusual circumstance, the contract was not even announced until more than two weeks after it was awarded. According to Lee Drutman of Citizen Works, “the contract was not only bid - free, it was also an open ended, meaning no time limit and no dollar limits”.

It was also a “cost-plus contract” meaning that the company (Halliburton) is guaranteed to recover all costs and make a guaranteed profit on top of that. The estimated value of the contract therefore is expected to be in the hundreds of millions of dollars.

The contract awarded again by the Army Corps of Engineers was not the first military contract that Halliburton has secured over the years. For example, Halliburton currently has thousands of personnel on ground executing various types of military contracts in countries like Kuwait and Turkey as part of a multi year contract worth about 1 billion dollars.

Although, a technical argument can be made that Mr Cheney has resigned as CEO of Halliburton when he wanted to contest for the Vice Presidency, the fact of the matter is that he still has substantial financial stake with Halliburton via a deferred severance compensation package that is worth millions of dollars. In September 2000, the US Congress General Accounting Officer (GAO), a Federal Agency that performs audit duties for the United States Congress found that the 2.2 billion dollars contract done for the US Army in the Balkans by Halliburton was done at a high cost over runs and could have been done at a cheaper cost by other contractors different from Halliburton.

Also in 1998, when Mr Cheney was still the CEO of Halliburton Corp, the US Stock Exchange Commission (SEC) formalised an investigation into the accounting practices of Halliburton in an effort to track down a \$234 million dollars artificially inflated revenue allegedly done to deceive stock holders, lenders and the general public by Halliburton’s Senior Managers.

### ***Corrupt and Bribe Paying U.S Multi National Corporations***

According to Transparency International, a German NGO concerned with Global Corruption, the US multinational corporations are amongst the most notorious in using bribery to win contracts particularly in the third world and the former Warsaw - Pact - East European Nations. In October 1999, the organisation released a bribe payers index ranking 19 leading exporting countries in terms of the degree to which their corporations are perceived to be paying bribes in overseas countries. While the US has laws on the books against bribing for decades, yet US Corporations are widely known world wide to use bribery to win government contracts. In developing countries, research also showed that many times, the bribe offered is not only to ensure winning of contracts alone, but sometimes to co-opt local government officials not to enforce certain laws and regulations that the corporations considered hostile.

A lot of times, these regulations and laws are centred on important public policy issues in the host countries, issues such as public safety, environmental pollution, and hazardous waste disposal, safety in job environment, occupational hazards and taxation. These are regulatory and fiscal issues respected also in the US, but these multinational corporations go overseas to abuse these policies by buying their ways through.

Hence, it is highly hypocritical for the US government to publicly give lectures to third world countries about the evils of corruption, while her multinational corporations offer bribe to them to win contracts and avoid safety regulations and local taxes. For example, in a study done at Fordham University Institute for Ethics and Economic Policy by Professor H.D Vinod, it is determined that Japanese, European and American companies pay large bribes to compete with themselves in poor countries. The study also revealed that the American Corporations craftily avoid breaking American laws by paying these bribes through series of offshore shell subsidiaries and that this practice is often hidden from the stakeholders and the regulatory agencies particularly the SEC.

In a recent development, Halliburton Corporation again featured prominently among the multinational (US) corporations which use the evil weapon of bribery to contribute to the social ills of corruption in the developing countries. Officials of Halliburton recently confessed to paying 180million US dollars to win a gas pipeline contract project in Nigeria estimated at 4 - 6 billion US dollars. This particular case has led to various trans national investigations involving Halliburton’s global empire in the US via the SEC, the Nigerian government and the French governments are all presently investigating this allegation. As a matter of fact, a French judge in person of Juge Renand Van Ruynbeke once threatened to subpoena the Vice President of the United States, Mr Dick Cheney over this matter. Needless to say, this has dealt a serious embarrassment to the American people and the American government

## **Conclusion**

Corruption is now internationally recognised as a major problem in the society. According to the United Nations Centre for International Crime Prevention (a unit of the office for Drug Control and Crime Prevention) and the United Nations interregional Crime and Justice Research Institute, “corruption is capable of threatening socio economic and political development undermining the values of democracy and morality and also capable of endangering the stability and security of societies world wide”.

As said repeatedly, the greatest effect of corruption is on the poor masses in any given population besides the fact that additional financial burdens are placed on them to pay for public services which they are qualified for in the first place, whether it is application for driver’s licences, building permits, or hospital registration cards and etc.

Corruption also causes illegal diversion of state resources to private use thereby undercutting badly needed social services such as health, education, public transportation, environmental sanitation and so on and so forth.

Corruption is a double edge sword cutting the poor via lack of availability of social services due to diversion, and payment requirement for delivery of otherwise free government activities.

In a more serious level, the collateral consequence of corruption includes reduction in investment or even disinvestment (with long - term effects). Corruption also contributes to social polarization and human right abuse. Fundamentally, corruption retards economic growth and investment. For example, few foreign firms will want to invest in societies where there is an extra “invisible” form of taxation.

On the other hand, from the supply side of things, Multinational Corporation by offering bribes to secure business, undercut legitimate economic competition (necessary for innovations), distort economic growth and reinforce social inequalities. Secondly, by offering bribes to avoid regulatory rules and regulations, multinational corporations contribute to the problems of occupational hazards, environmental pollution, poverty and other social ills prevailing in the developing countries. Corruption also contributes to the overall reluctance of credible international investors and donors to facilitate capital inflow to countries with corrupt and inadequate rule of law, transparency in public administration and credible judiciary.

Anti corruption crusade is gaining momentum throughout the world. For example, the United Nations Information Service reported the formation of a global convention to fight corruption all over the world. Member states met on Dec. 9 -11,2003 in Merida México where thirty countries ratified the resolution to internationally criminalized corruption with strong enforcement mechanism which includes asset recovery in cases of looted funds stashed in foreign banks by political leaders of third world countries. As at April of 2006, a total of 108 countries was said to have signed on to the anti-corruption crusade under the UN’s Global Programme against Corruption (GPAC) according to GPAC Executive Director, Mr. Antonio Miriam Costa.



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