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“No longer at ease” Corruption as an institution in West Africa

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Abstract: This article traces the historical genesis of corruption in two West African countries: Ghana and Nigeria. It argues that corruption in Africa is an institution that emerged in direct response to colonial systems of rule which superimposed an imported institutional system with different norms and values on an existing institutional landscape, despite the fact that both deeply conflicted and contradicted each other. During decolonization and after independence, corruption, although dysfunctional, fully evolved into an institution that allowed an uneasy cohabitation of colonial and domestic African institutions to grow into a composite, syncretic system facilitated by generalized corruption.

Key words: corruption, institutional theory, colonial rule, decolonization, Ghana, Nigeria

Introduction

Anyone engaged in African history or any other social science, or working in Africa in any other capacity, has to face the problem of ‘corruption’. In saying this we are not thinking of

occasional requests for informal payments from public officials, but rather of the extent to which 'corruption' has become the explanation for much of what is wrong in Africa.

For many ordinary Africans, 'corrupt politicians' explains everything from crumbling roads, to highway robbery, and from poverty to the price of second-hand cars. The apparent inability of African governments to offer public healthcare that is of good quality and affordable, the appalling state of many schools' classrooms and the lack of textbooks, and the long time it takes for basic infra-structural improvements to be achieved, are all blamed on 'corruption'. Never mind that in most African countries, per capita income and GDP are so low, that even if there were no corruption at all, the tax base would be inadequate to pay for the facilities that populations have come to demand of their governments (with no real hope of their demands being met).

African politicians also embraced the corruption discourse. The first accusations of political corruption date back to the 1940s, while from the 1960s onwards, military coup-plotters routinely use the perceived corruption of those in power as justification for their *coups d'états*, – effectively so, as many such takeovers were initially greeted with support from a population exasperated by political corruption. Since the 1980s, it has become common for new heads of state to launch widely publicised initiatives to cleanse the bureaucracy of the corruption associated with their predecessors. The population has come to regard these official anti-corruption drives as cynical manipulations, designed to deny rival factions the access to financial resources necessary to mount effective political challenges, while keeping intact, or opening up, possibilities for the new leadership and their clients to benefit from corrupt practices.

Academic discussions of contemporary Africa vary in the emphasis they place on corruption. There are two main approaches. The first is from the social sciences, especially political science and economics, and views corruption in terms of a principal-agent model that focuses on the criminal behaviour aspects. Thus the economics literature holds that corrupt behaviour could be corrected by the appropriate incentive structure (despite the many failed attempts to implement this in practice). The second is broadly located in the humanities, encompassing African studies and history as well as anthropology. Issues discussed as part of this tradition include the question of whether corruption should be explained as a result of outside interference, or from internal African factors such as a particular African political culture of corruption. Some analyses take issue with the assumption that corruption is per definition debilitating, pointing out its role as a form of 'informal redistribution', or arguing that contrary to popular opinion, 'Africa works', at least for its leadership (Chabal & Daloz, 1999). Although many authors point to the 'systemic' nature of corruption (De Sardan, 1999), the notion of the state's attempts to extend its control broadly addresses the same issues as the principal-agent problem.

The key difference between these two types of literatures is that the humanities tradition prioritizes the 'understanding' of the corruption complex, while most of the social science literature focuses on 'explaining' and fixing corruption. The first tradition could inform the second, and some political economy authors have indeed come to advocate the need to understand the corruption complex as essential for advancing their research agenda (Jain, 2001; Miller, 2000). Yet there is little indication that social scientists and humanities scholars read each others' work. This article aims to contribute to our understanding by tracing the historical genesis of corruption in two West African countries: Ghana and Nigeria. We

employ the historical method: examining specific, representative cases involving individual actors, drawn from official and company archives. Our conclusions are specific to Ghana and Nigeria, but contribute to broader theories of corruption: since these two countries experienced similar historical trajectories as most other sub-Saharan African countries – including slave trading, colonial rule, decolonisation, and structural adjustment – our specific conclusions inform broader hypotheses about the corruption complex in Africa in general, which in turn have implications for more general theories of corruption.

Recently, Jan Teorell (2007) has reviewed the literature on corruption – including case studies from Europe, Asia, Africa, and the Americas – from a political economy perspective. His conclusion was that corruption has evolved into an institution, and should be analysed as such. Our own archive-based research, as well as our reading of the literature from African history and anthropology, has led us to adopt a similar focus on institutional theory. Our analysis of corruption in colonial and postcolonial West Africa, where corrupt exchanges have become highly formalized (Hasty, 2005; Apter, 2005; Smith, 2007; Piot, 2010), suggests that, at least in Ghana and Nigeria, corruption has indeed evolved into an institution. With our focus on uncovering the origins of an institution, we contribute to an area of renewed interest to governance scholars (Miller, 2000; Pierson, 2000).

Such a focus differs from much of the humanities literature, where it is rare to find contributions to the debate that explicitly link current corruption to the colonial period. Victor LeVine (1975) in his article on corruption in Ghana briefly mentions colonialism but focuses on the activities of Ghanaian politicians in the 1950s and 1960s. Robert Tignor (1993), in his study of Nigerian corruption before independence, does mention that some extent of corruption occurred during colonial rule, but he fails to link this to the structure of rule. During our own research on various aspects of colonial and postcolonial Ghana and Nigeria, we came across a relatively large number of instances of 'corrupt practices', and a very specific development of the language of corruption. The pattern we found in the archives suggests a much more structural link between corruption during the colonial period and subsequent postcolonial corruption than the current literature indicates, leading us to conceptualize corruption as an institution in the African context, thus accounting for its generalized (De Sardan, 1999) and pervasive nature in private and public affairs.

Institutional theory and Africanists' interpretations of corruption

Our specific case studies led us to reinterpret the existing literature on corruption from the humanities through the lens of institutional theory. Originally proposed by Douglass North (1990) and famously defined as 'the rules of the game', institutional theory developed with an economic tradition known as new institutional economics and a more sociological direction known as new institutionalism, which as its starting point takes Weber's work on bureaucracy (Weber, 1968). As an economic historian, North focuses on the role of institutions in economic development, and highlights that dysfunctional institutions can persist because they are based in 'mental constructs' (values, norms, beliefs) and because there are increasing gains from exploiting a stable institutional framework, even if it is dysfunctional. Historically, it is institutional efficiency that requires explanation (Miller, 2000). Yet North himself, commenting on how bribery changes relative prices, did not view

corruption as an institution, but rather as the absence of self-enforcing moral constraints (North, 1990). As an historian, he asserts that the “performance of economies can only be understood as part of a sequential story” (North, 1990). We will present such a sequential story, mapping the evolution of corruption as an institution in Africa. In order to do this, we briefly need to turn to the key ideas from new institutionalism.

Di Maggio and Powell (1983) argued that change within organizational fields (groups of actors with a common purpose) produces greater similarity between organizations (isomorphism). Institutions are usually categorized as ‘formal’ or ‘informal’, as well as subdivided into three ‘pillars’: the regulatory pillar, usually including most formal institutions such as the legal system; the normative pillar embodied by the expectation of other actors; and the cognitive pillar, which refers to internalized values and beliefs. These three factors are conspicuous in the humanities-based literature on corruption in Africa, although we are not aware of any scholars consciously and explicitly employing institutional theory.

De Sardan (1999), for example, provides a cohesive summary of the work emerging from disciplines such as African studies, history, and anthropology. His account is almost implicitly institutional, focusing on the driving forces behind the societal norms and standards that allow an impersonal denunciation of corruption to coexist with the same individual’s participation in corrupt practices. Importantly, he highlights the absence of a ‘commons’ in the African village system, which means that pre-colonial Africa did not know a distinction between the public and the private sphere. Similar to contemporary postcolonial states, which have been described as ‘privatized’ by Bayart (1993), ownership was private, but regulated by a system of generalized reciprocity. Thus De Sardan describes Africa as the most ‘social capital’-rich continent in the world, but this ‘strength of weak ties’ (Granovetter, 1973) also incorporates each person in a system of almost general obligation of mutual assistance. This is underpinned by the increased monetization of the public and the private interpersonal realm, as well as a social morality that is based on other people’s opinion as opposed to an individual’s conscience. The latter clearly belong to the cognitive and normative pillars that increase conformity to a common standard.

In a controversial book, Chabal and Daloz (1999) put forward the argument that corruption, fraud and disorder are actually functional aspects of the African political economy. Similarly to North’s assertion of the functionality of dysfunctional institutions, once they are part of a stable institutional system, dysfunctional institutions facilitate political and economic systems as much as functional ones.

In the first section of our paper we examine corrupt practices in colonial Nigeria and the Gold Coast (modern Ghana). Since the factors we identify in these two countries were also present elsewhere in colonial Africa, we infer that corruption elsewhere in Africa will have emerged through the same process. We thus argue that corruption in Africa is a colonial and postcolonial institution, that evolved in direct response to colonial systems of rule which superimposed an imported institutional system with different norms and values on an existing institutional landscape (Mamdani, 1996), despite the fact that both deeply conflicted and contradicted each other. This is reminiscent of Riggs’ (1964) concept of the ‘prismatic society’, which introduced the idea of the heterogeneous and overlapping nature of public administration in countries that were in a process of transition from an agrarian, traditional

society towards an industrial, modern one.¹ His notion of 'formalism' refers to the gap between prescribed norms and actual practice. This is where we locate the varied practices and political rhetoric of corruption. We argue that corruption evolved as a response to this institutional dissonance and became a 'bridge' between domestic informal institutions and imported formal and informal institutions. As such it is neither imported nor traditional, but a 'syncretic' (De Sardan, 1999) institution that bridges the gap between two otherwise incompatible systems, thus stabilizing and facilitating this hybrid system.

In the second section we show how during decolonization and after independence, corruption, although dysfunctional, fully evolved into an institution that allowed an uneasy cohabitation of colonial and domestic African institutions to grow into a composite, syncretic system facilitated by generalized corruption. Again, our argument rests on detailed case studies from Ghana and Nigeria, but is representative for postcolonial Africa more broadly. In our conclusion we further explore the relevance of our material for the formulation of a theory of corruption, focusing on the implications of the re-conceptualisation of corruption as an institution.

Section 1

Colonialism as corruption in Ghana and Nigeria

The term 'corruption' includes a wide variety of practices, including bribery, embezzlement of public funds, nepotism, and abuse of power. When attempting a formal definition of the term, most authors focus on the abuse of a public role for private gains – financial or otherwise (Heidenheimer, Johnson & LeVine, 1989). In African studies it is more common to consider a 'corruption complex' (De Sardan, 1999), encompassing public, semi-private and private behaviour such as bribery, fraud, embezzlement, and nepotism. A similar definition of corruption between private parties has been put forward in economics (Svensson, 2005). This division between public and private that we now take for granted is of course historically specific, and was absent in many parts of Africa until the beginning of the last century. According to modern definitions of the term, therefore, corruption was generally absent in precolonial West Africa, simply because the division between public and private tended to be absent in precolonial societies. Nevertheless, instances of abuse of power of the sort we would now define as part of the corruption complex, did occur (LeVine, 1975).

The colonial period is when in many African societies the division between public and private in terms of political or administrative office was first established. It was also when corruption emerged. Each colonial government was not corrupt by its own definition, but its administrative language had a different morality from existing African discourses, which translated into different normative and cognitive standards of behaviour. For example, to encourage chiefs to coerce a percentage of their population to work as forced labourers on

1 We are indebted to Dr Pieter Wagenaar to introduce us to the 'prismatic society' idea at a colloquium "Bureaucracy, Corruption and Accountability in Historical Perspective", 21-23 October 2010, University of Liverpool.

road clearing and railway construction made perfect sense in the colonial mindset as a way to make inhabitants contribute to the development of their country. However, it translated at simple abuse of authority on the local level, where it significantly diverged from people's expectations both in terms of the role of authority and the processes by which it was imposed.

In Nigeria and the Gold Coast (now Ghana), colonial administrations introduced taxation and market duties as soon as they had the infrastructure to collect them – and to enforce their payment. The money thus collected would be used for the administration and development of the colonial territory in question, with a large part of the amount raised retained and spent locally by the local 'native authority'. The theory was that this way, not only would the colonized accept taxation, but that they would also feel responsible for local government, and develop an understanding of 'modern' local governance. This was of course a key element of what the British called 'indirect rule', but was not necessarily perceived in these terms by their African subjects. Many regarded the payment of tax as a payment of tribute rather than a contribution to public funds, and various communities refused to pay taxes until after World War II.² In 1944, Nelson Kwaku Kwasiakpui wrote to the Colonial Secretary for the Gold Coast, noting that his (Anlo) people 'consider taxation a crime'.³ In other instances colonial subjects stopped the payment of taxes when they felt that taxes not serve any discernible purpose. For example, in 1943 the elders of Hevi beat the drum and announced that the collection of market dues had been stopped and that no woman should entertain any request from the market duties collector to pay any money for exposing articles for sale in the market.⁴ The normative expectations from African societies led to the delegitimization of the very institutions that colonialism sought to implant. There was not much that the colonial administration could do in a situation such as this, and the District Commissioner was informed "with reluctance" that "he cannot see that any effective action can be taken in cases where the Native Administration is faced with a refusal to pay market tolls."⁵ Thus it was not only normative pressures from the host societies, but also the failure to use regulatory measures to enforce those colonial institutions, that undermined them in practice. In addition to outright refusals to pay, there is clear evidence that once collected, there were disputes over how these funds were then used.

Colonial administrations faced similar problems in the judicial sphere, where formal and informal legal institutions settled into an ambiguous and uneasy relationship. Their attempts to suppress some aspects of the existing judicial system, such as oracles and shrines, resulted not in their total abolition, but rather drove their existence and practice underground, effectively informalizing them and removing them from potential regulation. People continued to take their problems to shrines and oracles; they just chose not to inform the authorities. Then there were the cognitive differences between what African people considered crimes

2 Ghana Public Records and Archives Administration Department, Accra (PRAAD) ADM 39/1/550 Letter T.A. Mead to Commissioner, Eastern Province, 29 January 1946.

3 PRAAD ADM 39/1/550 Letter Nelson Kwaku Kwasiakpui to Colonial Secretary, 4 March 1944.

4 PRAAD ADM 39/1/550 Letter J.B.C. Mensah-Agbaglo, N.A. Market Collector, to C.L. Acolatse, Treasurer, A.N.A. Keta, 31 March 1943.

5 PRAAD ADM 39/1/550 Confidential Memo D.C. Keta to C.E.P., 5 April 1943.

and acceptable punishments, and the new offences and punishments introduced by the colonial administration. Take the example of 'sex in the bush', long an abomination against the earth among the Ika in Nigeria that needed atonement.⁶ Or babies being born with their feet coming out first. And what to think of the practice of witchcraft? After the establishment of colonial rule, the administration discouraged punishments for serious abominations such as these, and instead fined and imprisoned people for failure to produce a dog licence, or for drumming in the night (and how are you going to have a proper funeral wake if you are not allowed to drum?). Thus the imposition of a foreign legal system on top of an existing system also created cognitive dissonance in terms of values and expectations, which were now in conflict with regulatory measures.

Even if we give the colonial administration and their local instruments the benefit of the doubt in every aspect, the result must have been a fundamental confusion over what was appropriate and acceptable in local colonial politics. And since on the local level the judiciary and the executive and the legislative power were all vested in the same body, this must have offered ample space for abuse, as informal enforcement mechanisms were rendered nought in the tangle of conflicting institutions. In addition to this confusion in the interaction between African traditional law and political systems on the one hand, and the colonial administrative and judiciary structures on the other, the way in which colonial administrations established their presence on the local level gave rise to an additional multiplicity of meanings.

In the judiciary, the British in their West African colonies created a plural system as part of the 'light touch' that was central to the philosophy of indirect rule. On the one hand there were so-called 'Native Courts', where chiefs judged cases according to customary law, and on the other hand the District Commissioners' Courts. They thus layered one judicial system, which was codified and formal, over another which was fundamentally informal. In principle, there was a clear demarcation between the two spheres, with criminal cases and civil cases involving Whites or large sums of money being judged by the District Commissioner, and all other cases dealt with in Native Courts. In practice, this distinction was not adhered to at all. In Nigeria as well as in the Gold Coast, cases went from the one legal sphere to the other, and back, depending on where litigants thought they would get a favourable hearing, again illustrating the failure of any normative or cognitive forces regulating the remit and function of legal institutions.⁷ Murder cases were often not brought to the District Commissioner, and dealt with by Native Courts instead, or, dealt with by family elders. Villages who failed to report a murder to the District Commissioner were fined (if found out), but these fines did not succeed in enforcing the colonial government's understanding of the requirements of its legal system.⁸ Rather, colonial subject displayed what amounted to a 'pick & mix' attitude towards an unwieldy, contradictory composite legal system.

The existence of the Native Courts was based on the colonizers' assumption that in every community there existed an age-old, undisputed 'customary law', of which the chiefs had

6 Rhodes House Oxford (RHO) Mss.Afr.s.413 Hedley Herbert Marshall, Intelligence report on Ika, 1931.

7 PRAAD ADM 41/4/3-19 Keta District Civil Record Books 1885-1944; ADM 41/4/20-85 Keta District Criminal Record Books 1882-1947.

8 UK National Archives, Kew (UKNA) CO 583/113 Clifford to Churchill, 11 October 1922.

knowledge and on the basis of which they would arrive at their judgements in the Native Court. However, as has been argued by Mamdani (1996), this undisputed customary law did not exist anywhere in colonial Africa. Instead, there were many different and competing opinions and interpretations. Yet colonizers assumed that African indigenous legal systems were as formal and codified as their own, ignoring the fluid and negotiated nature of informal institutions that had not existed in European legal systems since the Middle Ages. As the Native Court had the power to decide which version prevailed, it became essential to have access to the 'Customary' – that is, to a Native Court organised by the colonial state – in order to defend one's own interpretation. Naturally, this opened up the need and desire to engage in practices that from the perspective of a formal and codified legal system could be regarded as 'corrupt'.

Thus far our description of confusion and misunderstandings that characterized colonial local administration assumes that the British administration and its local African intermediaries involved were not corrupt and that they did not abuse their power. However, the colonial sources that we have seen indicate that corruption and abuse of power were rife in British colonial West Africa. Robert Tignor (1993), as previously mentioned, noticed this to some extent, but he missed the significance because he was limited to the Colonial Office sources he consulted in the UK National Archive in London, and he ignored the layer of local sources with much more explicit discussions.

On the one hand, there was the prevalence of abuses of power by Native Authorities, that is by the African intermediaries of colonial rule, entrusted with the task of providing local government on the basis of customary law, backed up, if necessary by colonial force. The classical study of this phenomenon is Adiele Afigbo's *The Warrant Chiefs* (1972), which gives many examples of abuse of power by clerks, court messengers, and British-recognized customary rulers in Southeast Nigeria. Writing in the early 1970s, Afigbo interpreted these forms of abuse as the result of an inadequate implementation of Indirect Rule. Nowadays we recognize these abuses rather as a crucial feature of Indirect Rule. We argue it resulted from the confusion that arose when overlaying an imported institutional system on an African one despite significant differences not only in the regulatory, normative and cognitive domains, but also with a very different distribution of formal and informal institutions and distinction between the public and private realm (non-existent in Africa, very pronounced in Europe).

In the Gold Coast, for instance, there was widespread abuse of the oath-swearing system. According to local custom, one of the ways in which conflicts were resolved was through the swearing of oaths in front of chiefs. Many chiefs had a racket going, whereby they falsely accused individuals who then, to prove their innocence, had to swear an oath before the chief. This oath swearing had to be accompanied by the payment of a fee, usually involving money and one or more bottles of gin. Complaints about this practice reached the District Commissioners and the Secretary for Native Affairs, but they felt powerless to act against this abuse by their own intermediaries of rule. While accepting that it was undeniable that the oath system provided chiefs "with the means of extortion and is often used by them as such", they nevertheless concluded that no change was desirable, because: "were the oath to be abolished the chiefs would be at one stroke denuded of all power." The paramount chiefs were consulted, and they, not surprisingly, opposed any proposed action to curb the

abuse.⁹ Corruption thus was a crucial feature of local administration during the colonial period. There was a lot of what the colonizers would call ‘abuse of power’ on the local level, by their African intermediaries. Records show that colonizers were aware of what was going on, but that they did not feel in a position to act against it. Clearly it was preferable to use power illegitimately rather than not to have any power at all, something that became an abiding feature of African postcolonial states.

Now one could argue, that while this to some extent proves the assumption that corruption is a symptom of weak government, it can equally be interpreted as a function of the way in which colonial powers had delegated local administration to traditional authorities. However, corrupt practices were also visible in many of the instruments of colonial rule that were supervised directly by the colonial government.

Take for instance the case of food that went missing in Southern Nigerian prisons in the 1910s and 1920s. This particularly case came to the fore because of the high mortality rates recorded in these prisons. The death rate in Enugu prison, for instance, was as high as 317 per thousand in 1916, and 339 per thousand in 1920. In that same year, the death rate for Awgu prison was 489 per thousand. In a 1921 memo on the subject, the Lieutenant-Governor for Southern Nigeria, Gower, wrote that “... the high death rate is probably due to insufficient nourishment. The scale of dietary is reported adequate in bulk; but either the quantity of food which actually reaches the individual prisoner is reduced by supply difficulties or by irregularities on the part of officials subject to temptation and inadequately supervised...”¹⁰

At times British officials were implicated. In some instances money went missing from District Commissioners’ offices, both in Nigeria and the Gold Coast. In at least one Nigerian case, the administrators in the colonial government strongly suspected that the European officer in question had embezzled the money, even though they eventually decided that the missing money should be blamed on the officer’s ‘inexperience’. Maybe this too, can be seen as evidence of the weakness of power, rather than outright corruption of the colonial system. For instance, it was not unusual for European mining firms to consistently mine outside their concession, with the knowledge of the local authority and the District Commissioner. The colonial government, while clearly frustrated by the frequency with which this occurred felt that there was nothing that it could do about it.¹¹ Within the colonial system it was not just Africans that used the confusing multiplicity of norms for their private gain and advantage; colonial residents did the same, highlighting the absence of institutional control.

There thus seems to be a clear pattern of abuse of power – of corrupt practices – that was ignored or co-opted by the colonial administrations. The prevalence of corruption was kept quiet, as colonial rule depended on the very individuals who were corrupt: the chiefs (regarded as ‘native authorities’), the clerks and translators, the tax collectors, and they even suspected some of their own European officers to be corrupt. So it should come as no

9 PRAAD CSO 21/1/67^B Letter Commissioner, Western Province, to S.N.A., Sekondi 28 November 1935.

10 UKNA CO 583/99 “High Mortality Rates in Southern Provinces Prisons: More Efficient Supervision Proposed as Remedy” (Enclosure in Clifford to Churchill, 8 March 1921).

11 UKNA CO 583/182 Letter Moore to Amery, 14 March 1932.

surprise that these practices continued into the independence era: many members of the new elite got where they were through what we would term 'corruption'.

To argue that the colonizers ignored *all* corrupt practices *all* the time would be incorrect: if discovered, the taking of bribes by lower-level agents of the colonial police, customs, or judiciary was punished. For instance, on 16 June 1892, Mr Malm, the interpreter at Keta, in the Gold Coast, was suspended as he was accused of having accepted a bribe of £1 to interpret falsely.¹² And on 29 October 1941, Mr Amadu Issalla, a Constable in the Preventive Services was fined £5 as he had accepted £1 from Mr Korkor Gbada as reward for non performance of his duty.¹³ However, accusations of corruption by native authorities or by those higher up in the colonial system seem to have been made only towards the end of colonial rule, and were used politically, that is, it seems that accusations of corrupt practices were only investigated by the colonial authorities when they involved African nationalists. Corruption was now reframed as an endemic 'African' problem, recasting colonial rule as a time of law and order overseen by impeccable colonial civil servants.

Section 2

Decolonization: discovering corruption

African states inherited this problematic institutional heritage. Moreover, during decolonization it began to extend into areas of the formal economy that had previously been dominated by inter-European relationships, and thus had been governed by common normative pressures on what was acceptable behaviour, with potential recourse to the UK legal system. Thus British business dealt with British civil servants, and although there were some failures of enforcement, there existed a clear awareness of their mutual dependence. British firms required some legal enforcement from the government, as well as favourable treatment over domestic rivals, while the colonial state, as a result of its insufficient tax base, was largely dependent on tariffs levied on imports and exports, managed by British firms (Austin, 2008).

The colonial state was a very slim affair. Its function was administrative, its decision making mechanism limited, there was little public representation, and no accountability to its colonial subjects. All of this was a stark contrast to the representational democratic states that departing colonial masters now sought to install. The new democratic structures suffered not so much from the problem of being an institution wrongfully transplanted to countries not ready for it, but rather from the lack of obvious avenues to finance electoral competition. Not to mention that practices such as gift-giving, already monetized, easily translated into buying political favour, and that a certain amount of ostentation was required by anyone in a position of power, regardless of whether that post came with an income stream (Mbembe, 1992). Unsurprisingly, the new politicians, often businessmen, chiefs, and foreign-educated

12 PRAAD ADM 41/1/25 Keta District Minute Book, 7 October 1889-23 January 1893; 18 June 1892.

13 PRAAD ADM 41/3/19 Civil Record Book Keta District, March 1940-July 1944; 29 October 1941.

members of the elite, continued the extractive practices established during colonialism. This would continue during the postcolonial period, when the gatekeeper state's control over marketing board finances and the nexus to the international economy through which foreign investment, exports and imports must flow ensured further opportunities for extraction (Cooper, 2002). Conversely that meant that when they were not in power, political parties faced a funding problem.

The significant difference here, however, is the colonial governments' changed attitude towards corrupt practices. The rhetoric during decolonization focused on instilling 'probity', and allegations and enquiries into corruption, fraud and embezzlement now became commonplace. Probably the earliest case was that of the lawyer Kojo Thompson in the Gold Coast, who in 1943 allegedly facilitated a bribe from a British businessman, a resident manager for the United Africa Company. The case was entirely based on the testimony of the expatriate and created a public outcry, because Kojo Thompson was a well-known African nationalist (Quarcoopome, 1991). This was widely perceived as a politically motivated attack, and the subsequent behaviour of colonial governments supported that interpretation.

This was particularly pronounced in Nigeria, where colonial officials clearly favoured more moderate political parties over those politicians who were too staunchly nationalist and opposed to the regionalization of the country. These regional rivalries exacerbated the need for politicians to find sources of income. The politicization of finance went beyond what is classically understood as corruption to encompass collusion and fraud, as well as other forms of gaining political advantage, which became subsequently constructed as evidence for the dishonesty and untrustworthiness of Africans. We will illustrate this process with two examples. First, we will discuss how arrangements between political parties and banks in Nigeria came to be regarded as possibly corrupt during the decolonization era. Then we will consider how, around the same time, two major expatriate banks rapidly increased lending to African clients, incurring many bad debts which they tended to associate with African corruption, even though there were other plausible explanations for the rise in bad debts during this period.

The disputed arrangements between Nigerian political parties and banks were directly related to the colonizers' organization of the country into regions: in addition to a Nigerian federal government and national assembly, each of the regions also had their own regional government and parliament. Subsequent Nigerian politics fell victim to 'regionalism', which pitted the two dominant southern regional parties, the AG in the Western Region and the NCNC in the Eastern Region, against each other (Foster Sutton, 1957; Uche, 1997; Lynn, 2002). In the early 1950s, the eastern NCNC had made inroads at the election for the Western parliament, but faced a 'perennial problem' of finance (Post & Jenkins, 1973). The NCNC was the only party with national, as opposed to strictly regional, aspirations. The other two parties – AG and the Northern People's Congress (NPC) – had at times been almost openly secessionist. Within the Nigerian Federation, whoever controlled the Northern Region dominated the central government, but the NCNC could have theoretically broken that hold by taking over the Western Region from the AG. The NCNC's broader national aspirations followed to some extent from its Igbo constituency, which had a significant diaspora outside the East. This gained increased salience as many Igbo living in the North were attacked and killed in the Kano riots of 1953 (Anthony 2002; Paden, 1971; Plotnicov, 1967).

Yet the NCNC faced a significant disadvantage compared to the AG: the latter party's close links to the National Bank of Nigeria ensured its financial liquidity. In 1955, Eastern Region parastatals began to inject funds (initially £2m) into the African Continental Bank (ACB), controlled by the NCNC leader Nnamdi Azikiwe, although the ACB had nearly collapsed as a result of the 1952 Banking Ordinance. The ACB subsequently benefitted from equity investments and government business.

The transaction, observers noted, had 'provided a source from which, by concealed manipulation, funds can be provided for fighting the 1956 elections in the Western region; for the first time the NCNC is financially on even terms with the AG'. Considerable sums were dispersed by the bank to the West in this period, but were masked as loans to Ojukwu and other Eastern businessmen. (Lynn, 2002, p. 102)

Furthermore, the ACB transferred funds to Barclays Bank in London in what was described as a money-laundering operation in 1955. These activities were closely monitored by the Colonial Office, which viewed Azikiwe as a disreputable politician. Azikiwe, however, defended his actions as necessary to break the expatriate banking monopoly and liberate credit for ordinary Africans (Uche, 1997; Lynn, 2002). With this he had thrown down the gauntlet that required the established banks to react. The colonial government pondered whether to publicly indict the well-known nationalist, although they were also aware of a similar banking arrangement that the Western AG had with its regional bank. Yet AG politicians were generally perceived as less radical and less likely to challenge the predominance of the Northern region, which colonial officials favoured.

The established expatriate banks in West Africa had to decide how to respond to the challenge of African nationalism. The two major British colonial banks, Barclays and the Bank of British West Africa (BBWA), had begun a slow programme of expansion in the late 1940s. It was in 1952 that this developed into a race between Barclays and BBWA, probably due to the collapse of many domestic rivals as a result of the Banking Ordinance of the same year, as this comment by one of Barclays' general managers indicated: "in view of present political developments I felt it was important that we should, as soon as practicable, open further branches."¹⁴ Banks had begun to give, often unsecured, credit and mortgages to African politicians in the Gold Coast and Nigeria, with clearly political objectives (Stockwell, 2000). However, this limited and individual lending was not sufficient to 'kill the legend that we won't lend to Africans'¹⁵, which became an issue at Barclays (as well as BBWA) in the mid-1950s. This prompted the head office in London to push local bank branches into a major lending drive, even if this would not be, in some cases, to people actually eligible for bank credit:

It is suggested that generous lendings are being made to small income people. Such lendings are not what we want, but we do not want this persistent allegation that we won't lend to Africans, and if there is propaganda we must counter it.¹⁶

14 Barclays Group Archives (BGA) 80/4328 R. G. Dyson, "Memorandum to the General Managers: Branch Extension – West Africa", 20 November 1952.

15 BGA 11/2155 J. F. Cade, "Extract from Mr. Cade's Notes on his Visit to Nigeria", December 1957 – January 1958.

16 BGA 11/2155 J. F. Cade, "Extract from Mr. Cade's Notes on his Visit to Sapele", January 1958. The quotation is taken from: "Advances to Africans", 1, emphasis in original.

By 1960 the banks experienced a sharp rise in bad and doubtful debts. Both banks portrayed the bad and doubtful debts as the consequence of the 'lending to Africans'-drive. In July 1960 a Central Board Director for Barclays reported £1.4m of bad and doubtful debts, a figure that would rise to £2.5m, largely irrecoverable, in 1963 when the investigation was finished. How much of this was actually due to African advances is hard to discern. On 31 January 1960, when the total of bad and doubtful debts was believed to be £950,975 out of total advances of £4,933,775, loans to indigenous businessmen accounted for 43 per cent, yet the provision for bad debts on African lending was about 75 per cent of the total provision (Uche, 1998). However, this is no safe indication since the majority of bad debts were discovered later.

This is especially relevant as the largest single creator of bad debts was Barclays' Kano branch with £1m worth of irrecoverable lending, headed by a British expatriate. In this case the largest single item was nearly £900,000 lent to the London & Kano Trading Co., a British firm that had existed at least since the 1920s.¹⁷ The British manager of Kano branch was quietly removed and the fact that almost half of the bad and doubtful debts, which, earlier on, had been considered a problem exclusively of African customers, had clearly been caused by expatriate collusion was never flagged up.

During the decolonization era, both the colonial government and British imperial business began to denounce corrupt, illegal and dishonest practices that involved Africans. Yet where Europeans, or politically acceptable African politicians were implicated, the same practices were covered up. Corruption allegations were developed into a rhetorical and legal weapon out of political opportunism, both by public as well as private actors. Azikiwe's comment that "being Black people does not mean that we are impervious to justice and decency. Being White does not make colonial Governors paragons of perfection",¹⁸ encapsulates the racialized assumptions that became embedded in the political discourse of decolonization.

Postcolonial states: corruption as a rhetorical weapon

Once African countries became independent, contemporary observers began to openly express their disappointment with the lax standards of governance:

The atmosphere of easy money rampant in the fifties was the undoing of public thrift. After 1960-61 when cocoa prices tumbled and the reserves began to shrink, the old habits stubbornly persisted. [...] After 1951 Ghana had become a happy hunting ground for business entrepreneurs from many countries [...] They quickly discovered that Ghana's politicians spoke out against 'capitalism' with one side of their mouths whilst they sucked its sweets with the other. (Jones, 1976)

17 BGA 29/709 "Nigeria and the Cameroons", 18, and A. W. Wilkinson, "Visit to Northern Nigeria and Lagos", February-March 1963, 2, 4; BGA 11/2044 Memorandum to General Managers, 25 April 1960 and 21 October 1960. The London & Kano Trading Co. seemed to have been based in Liverpool in the 1920s, but information is patchy. Cf. Liverpool Records Office, 380 LON, Acc. 2626. In the late 1940s the firm was a member of the still very British and exclusive Chamber of Commerce. Cf. RHO, John Holts files, Mss Afr. 825s, 232 (ii) "Minutes of Lagos Chamber of Commerce", 6 October 1948. This indicates that the company was considered a long-established and reliable trading house.

18 UKNA CO554/1126 Azikiwe to Lennox-Boyd, 16 July 1956.

Yet these 'habits' of Ghana's politicians ought to be seen in the tradition of colonial governments to incompletely enforce the values and standards of good governance. Furthermore, as discussed above, to criticize these habits was part of a wider discourse of corruption that had emerged during decolonization, when outgoing colonial administrations became highly critical of the standards of governance of the new African political elite, frequently in order to remove individuals considered too radical and unsympathetic to colonial officials. As Tignor (1993) showed for Nigeria, this discourse of corruption was accepted by African public opinion. In the years after independence, African governments began to employ these arguments against foreign business.

This particularly applied to some of the new turnkey investments, which were frequently funded by suppliers' credit and backed by export credit guarantees (a form of political risk insurance provided by home governments). Schatz (1969) criticized the fact that home governments backed these questionable business deals, either intentionally or unintentionally, through these guarantees. Most Western governments provided some form of protection backed by public funds to promote exports and foreign investment, primarily to politically risky destinations. For example the German political risk insurance scheme, 'Hermes', had ninety percent of its obligations in developing countries.¹⁹ The German ministries that collaborated in administering the Hermes scheme were clearly aware of the trade distortions that export credit and political risk guarantees caused, as well as the questionable nature of how some of these deals were negotiated and discharged. There had been a large number of deals covered by Hermes that broke the law of either the country extending, or the country receiving the guarantee. These practices included invoicing too low, too high, or twice, refunds of payments, and payments in a foreign currency into a third country either without permission or entirely illegally.²⁰ All of these practices pointed towards the payment of bribes and transfer pricing.

One case caught the attention of governments and investors alike: a cocoa processing plant in Ghana that was associated with a Mr Drevici (and his wife, Dr Drevici).²¹ The US multinational Kaisers had received reports from the US ambassador Mahoney and from Arthur Smith of the United Africa Company Board about a "West German outfit" (in other correspondence Drevici is explicitly mentioned) that paid substantial kickbacks which were reportedly put into a Swiss bank on an even four-way split between K. Nkrumah (President of Ghana), E. Ayeh-Kumi (a Ghanaian minister), the CPP (Ghana's governing party) and a party organization called Freedom Fighters.²² Kaisers showed concern over the implication of Drevici's behaviour for the reputation of free enterprise, which they interpreted as either using too much of Ghana's "rapidly depleting" foreign exchange, or extracting exorbitant or unconscionable profit from the country (in itself an interesting criticism coming from an businessman who negotiated a power rate for his company that the World Bank, which was co-funding the relevant project, considered far too low to be economic): "It is arrangements

19 Africa was not a particular focus of Hermes, rather India, the Middle East and Latin America were its key destinations. Politisches Archiv des Auswaertigen Amtes [Political Archives of the Foreign Office of the Federal Republic of Germany] (PAAA) B55.2-287 Mr Westrick, Federal Ministry of the Economy, to the Federal Ministry of Finance, 11 May 1959.

20 PAAA B55.2-287 Memo 26 January 1959.

21 PAAA B55/2-247 Evening News Clipping.

22 BANC MSS 87/35c, Trefethen papers, Ctn. 42, fl. 11 Chad Calhoun to Edgar Kaiser, 19 December 1963.

such as this may be and many of the others under the 'Suppliers' Credit' deals that could easily bring discredit upon the West and the capitalist system."²³ The cocoa processing plant had received Hermes cover, but in 1972 the German government, while still supporting the demands of German firms with bad debts, excluded the "Drevici case" from its diplomatic efforts to support the recovery of Hermes-guaranteed loans, as they had been involved in bribery.²⁴

It is likely that bribery and corruption played a significant role in the awarding of contracts to new, and old, investors in this phase, notwithstanding the fact that the discourse of corruption was now deployed as a political weapon by Western and African governments and investors alike. The key political contact of Otto Wolff's subsidiary in Nigeria, Wasco, was the Federal Minister of Finance, Chief Festus Okotie-Eboh, Nigeria's own "Mr Ten Percent" of the first republic. Other West German contractors such as Coutinho, Caro & Co, appear to have exploited the suppliers' credit arrangements to an even greater extent. Despite these significant inroads by non-traditional investors, the UK remained the most important source of suppliers' credit, suggesting that these business practices were not limited to one European country. The case of Drevici was used here because, although corruption is usually a hidden practice, in this case it was so obvious that the German government did not even object to the repudiation of debt, making this an exceptionally clear-cut case.

African politicians had discovered corruption as a weapon. Formerly used by outgoing colonial governments against inopportune nationalists, by the 1970s military coups were justified as being the displacement of 'corrupt democratic governments.' Corruption allegations have remained part of the political discourse in African states ever since. Similarly, foreign businessmen became aware that being involved in corruption or being perceived to be participating in corrupt practices could be used by African politicians against them, an issue that is still relevant today (Jensen, Li, Rahman, 2010). This was a viable threat, precisely because this was less acceptable in their home countries, while a pervasive feature of doing business in African host economies.

Conclusion

We have shown how the layering of two contradictory institutional systems lead to significant confusion in colonial societies about which – if either – was the correct set of rules. Moreover, colonial states from their inception lacked the money and power to enforce many of the institutions they sought to establish. It was the resulting uneasy cohabitation of two institutional systems which delegitimized each other, that gave birth to the kind of generalized corruption now considered typical for Africa. During decolonization and early

23 Bancroft Library Berkeley (BANC) MSS Edgar Kaiser papers, Chad F. Calhoun, Vice President Kaiser Industries, to W. Averell Harriman, Undersecretary of State for Political Affairs, 25 September 1964.

24 PAAA B59-IIIB1-1333 Embassy Accra to Foreign Office Bonn, 28 February 1972. Drevici, sometimes referred to as Polish, was of unspecified Eastern European origins, and probably German nationality, also appeared to have been Jewish, which might have influenced the official German response to the case. Cf. PAAA B55/2-247 Lueders to Foreign Office, 17 December 1962; BANC MSS 85/61c, Edgar Kaiser papers, Ctn. 323, fl. 4k R. E. Knight to Edgar F. Kaiser, 8 February 1968.

independence, the colonial roots and the co-creation of this institution by European agents and their African counterparts were systematically disowned, thereby redefining corruption as a problem of less developed countries. Subsequently, a discourse on corruption emerged that could be used as a political weapon, wielded by donor governments and agencies, NGOs, and academics in an attempt to explain the failure of economic development. This focus on attacking corruption and prioritising good governance has remained widespread, even though, as Jeffrey Sachs has shown, African governance is not particularly poor by developing country standards (Sachs, 2005; Sachs, McArthur, Schmidt-Traub, Kruk, Bahadur, Faye, McCord, 2004). Similarly it was used by African politicians themselves against foreign influences or against each other, in the process gaining the same legitimacy that departing colonial governments once sought. The practice and rhetoric of corruption resolves contradictions between two sets of standards within the institutional environment. Thus this rhetoric of a public sphere coexists with its privatization (Bayart, 1993; Bayart, Ellis & Hibou, 1999; Chabal & Daloz 1999). This analysis is based on examples from Ghana and Nigeria, and also on our reading of the literature on Africa more generally. Hence we feel confident that our understanding of corruption as an institution in Ghana and Nigeria in particular, can be read large as an explanation of the generalized corruption found in postcolonial African states.

What does our analysis of corruption in Africa contribute to our understanding of corruption more generally? An important feature of our view of corruption as an institution is that it pertains to a specific type of corruption: the generalized, pervasive occurrence typical of less developed or emerging countries, as opposed to the sectoralized type familiar to Europeans and North Americans.²⁵ This answers one of the questions from the international business literature, which asks what the characteristics are of countries with a high incidence of corruption (Rodrigues, Siegel, Hillman & Eden, 2006). Corruption is not always an institution. Where it is, it deserves to be treated with an appropriate conceptual lens. As a result, we agree to a point with some studies on corruption, such as Rose-Ackerman's (1999) claims that corruption can be quite viable and that anti-corruption drives are more likely to be successful if supported by citizens and the business community, especially if these wield economic influence relative to the bureaucracy. Yet it is precisely these conditions that did not, and do not, to this day, exist in most African states. Thus we agree with Jeffrey Sachs that the focus of interventions need to be on growth, not governance, to facilitate the rise of domestic interests such as an independent private sector that can hold governments accountable.

Although North (1990) points out that throughout history, institutions tended to be suboptimal, he does not specifically address the issue of dysfunctional institutions. He clarifies that there are increasing gains from exploiting a stable framework, even if suboptimal. However, he still describes corruption as eroding existing institutions, hence he does not consider corruption itself as an institution. Political choice theory, especially the work of Mancur Olson (1971), has highlighted dynamics where some policies clearly damage the collective, but are nevertheless adopted because they are privately profitable. While institutional theory is useful in explaining the pervasiveness and stability of institutions

25 One participant of the corruption workshop commented that he had no personal experience of corrupt practices. Something quite unimaginable for colleagues who were Egyptologists or Africanists.

including – in this case – corruption, it is weaker at explaining institutional change. Current work on institutional entrepreneurship seeks to address this (Battilana, Leca & Boxenbaum, 2009), but at the moment institutional theory merely allows us to better explain the existence of pervasive corruption, rather than to propose policies that would reduce corruption. Further historical studies of different cases might help with this second aspect: just as North argued that it is more sensible to ask why some areas are developed rather than why some are underdeveloped, we agree with Teorell (2007) that if one is looking for a solution to the problem of corruption, it may be worthwhile to consider societies that once did, but no longer do, feature generalized or pervasive corruption.

From our work on corruption in Africa, and in the light of other historical studies of corruption presented at the colloquium, ranging from pharaonic Egypt to Medieval and Early Modern Europe, the re-conceptualization of corruption as an institution nevertheless allows us to formulate a number of hypotheses that may contribute to a theory of corruption:

First of all, corruption in Africa is embedded in a system of general reciprocity, where individuals have high levels of social capital, which is reinforced by a social morality that prioritizes mutual help and favours. Within this social environment, the state seeks to impose a system of formal public administration that is impersonal and rule-bound, which is totally at odds with private expectations on individuals, and which cannot be reliably enforced. Corruption is the 'dark' side of bureaucratization, of slow, stalled or incomplete attempts to install an impersonal system of administration on a society that operates within informal personal networks of favour and dependence.

Thus, secondly, corruption is a side effect of a shift from a mostly informal to a more formalized institutional framework. Mike Peng (2003) has highlighted the necessity for business to respond to transition societies by increasing networking activities over creating competitive advantage, as social capital in such societies has greater value. The notion of 'institutional transition' seems to indicate a short time period, although Peng clarifies that this could encompass at minimum several decades. In terms of the historical experience of Western European states, several centuries seems more accurate.

Thirdly, it is not necessary that the experience of bureaucratization took place as a foreign, imperial imposition, as was the case for most African countries, the imposition of a different institutional and value system that favours impersonal rule can evolve domestically. The process for Africa was, however, intimately connected with the experience of colonial rule. Our argument around bureaucratization has features in common with Riggs' model of a prismatic society, but unlike Riggs (1964), we see the institutional framework which gave rise to generalized corruption as syncretic: as a fusion of two contradictory systems that can remain stable for long periods of time. As North (1990) argued, dysfunctional institutions will be maintained as long as there is a reasonable level of stability. Thus we argue that generalized corruption in Africa is a functional dysfunctional institution, or rather a functioning institution in a dysfunctional institutional environment.

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