

Corruption and Economic Security in the Arab Countries: The Role of Business Schools

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Abstract: Systemic corruption in the Arab region is a serious hindrance to economic growth and business prosperity. Not only does it incite millions of dollars in lost revenue and productivity every year, but it further slows growth by undermining foreign investment. In this paper, we investigate the relationship between corruption and human security in the Arab countries, and suggest that business schools can actively fight corruption and promote economic security. The paper highlights the peculiar features and determinants of corruption in the Arab world and documents how corruption undermines economic security. We then propose that business schools can play an active role in fighting corruption by adopting anti-corruption policies, by advocating ethical principles in the conduct of business, by sensitizing students to corruption and its multiple manifestations, by promoting the business case against corruption, and by supporting collective action against corruption.

Keywords: corruption; human security; economic security; Arab region; business schools

Introduction

It is often said that corruption is especially likely to occur when a high discretionary power over viable economic assets is coupled with limited accountability over how these assets are used or mobilized.¹ In the past two years, we have witnessed a greater focus on accountability and more concern about unequal divisions of wealth across the Arab world, resulting in what has been dubbed the “Arab Spring,” or a series of uprisings and progressive transitions towards less autocratic regimes, still well underway at the time of our writing.² In the aftermath of the Arab Spring, tackling corruption in the Arab countries has become an imperative, not only because it is immoral and illegal, but also because it has several negative repercussions on human security at different levels.

In this paper, we investigate the relationship between corruption and human security in the Arab countries, and suggest that business schools can actively fight corruption and promote economic security. We begin the paper by highlighting the unique features and determinants

of corruption in Arab countries as well as the specificities of human and economic insecurity. We then demonstrate how corruption promotes inefficient economic transactions and undermines economic security. Within this context, the main question we address relates to what business schools can realistically offer to reduce the occurrence and dependence on corruption in Arab states and to contribute to enhanced human and economic security.

The paper is organized as follows: section one introduces the concept of corruption, reviews both its supply-side and demand-side determinants, and shows how the demand-side determinants are problematic for the Arab Countries; section two discusses the consequences of corruption on human security, with an emphasis on economic security, and with a geopolitical focus on the Arab Countries; section three proposes that business schools can play a unique role in fighting the supply-side determinants of corruption by adopting anti-corruption policies, by advocating ethical principles in the conduct of business, by training students to recognize and resist corruption, by promoting the so-called business case against corruption, and by supporting collective action against corruption.

Corruption and the Arab Countries

The League of Arab States, or Arab League, is a regional organization founded in 1945 to promote bilateral trade. Over time, it has played an increasingly relevant role in policy-making and as a diplomatic actor. At the time of our writing, it is composed of 22 states (though Syria has currently been suspended), covering a total of 13,000,000 square Kilometers across Africa and Asia, with around 350 million citizens. The Arab Countries are very uneven in terms of development, both economic and social.³ After the exploitation of oil reserves began in the 60's, Gulf countries have recorded remarkable progress along the three pillars of the Human Development Index (HDI): income, education, and health.⁴ Most of the population, however, lives in countries like Algeria, Egypt, and Morocco with great historical and cultural traditions and good health indicators, but lower income levels and weak educational systems and outcomes. Finally, over 60 million people live in countries with low human development (Table I).

Table I
Demographic Statistics, Arab Countries

	Population	Area	GDP	HDI
Algeria	37,367,226	2,381,741	\$ 274.5 bil	.698
Bahrain	1,248,348	760	\$ 32.4 bil	.806
Comoros	737,284	2,235	\$ 872 bil	.433
Djibouti	774,389	23,200	\$ 2.4 bil	.430
Egypt	83,688,164	1,001,450	\$ 537.8 bil	.644
Iraq	31,129,225	438,317	\$ 155.4 bil	.573
Jordan	6,508,887	89,342	\$ 38.7 bil	.698
Kuwait	2,646,314	17,818	\$ 165.9 bil	.760
Lebanon	4,140,289	10,400	\$ 63.7 bil	.739
Libya	5,613,380	1,759,540	\$ 87.9 bil	.760

Mauritania	3,359,185	1,030,700	\$ 7.6 bil	.453
Morocco	32,309,239	446,550	\$ 171 bil	.582
Oman	3,090,150	309,500	\$ 90.7 bil	.705
Palestine	2,622,544	5,860	\$ 8 bil	.641
Qatar	1,951,591	11,586	\$ 189 bil	.831
Saudi Arabia	26,534,504	2,149,690	\$ 740.5 bil	.770
Somalia	10,085,638	637,657	\$ 5.9 bil	.285*
Sudan	34,206,710	1,861,484	\$ 80.4 bil	.408
Syria	22,530,746	185,180	\$ 107.6 bil	.632
Tunisia	10,732,900	163,610	\$ 104.4 bil	.698
UAE	5,314,317	83,600	\$ 271.2 bil	.846
Yemen	14,771,809	527,968	\$ 57.8 bil	.462
Source	CIA			UNDP * UNDP

Corruption is widespread across the Arab Countries. According to Transparency International, only 3 out of the 21 Arab Countries included in the 2012 report score above 50 on the Corruption Perception Index (on a scale ranging from 0 to 100, where 0 is 'highly corrupt').⁵ With few exceptions among the oil-rich gulf countries that have undergone major efforts to improve the quality and the accountability of their institutions, most Arab Countries score lower than the world average in terms of some crucial indicators of the (perceived) prevalence of corruption (Table 2).⁶

Table 2
Corruption Indicators, Arab Countries

	CPI	Institutions	Diversion of Public funds	Political trust	Bribes
Algeria	34	2.7	2.2	1.8	2.6
Bahrain	51	5.1	5.2	4.2	5.8
Comoros	28	-	-	-	-
Djibouti	36	-	-	-	-
Egypt	32	3.6	2.6	2.8	3.4
Iraq	18	-	-	-	-
Jordan	48	4.5	3.8	3.4	4.8
Kuwait	44	4.2	3.4	3.2	4.4
Lebanon	30	3.2	2.5	1.5	2.7
Libya	21	3.7	2.9	3.5	3.8
Mauritania	31	3.3	2.6	2.5	3.0
Morocco	37	4.1	3.7	3.2	4.2
Oman	47	5.3	5.3	5.0	5.8
Palestine	-	-	-	-	-
Qatar	68	5.8	5.9	6.1	6.3
Saudi Arabia	44	5.3	5.1	5.6	5.6

Somalia	8	-	-	-	-
Sudan	13	-	-	-	-
Syria	26	-	-	-	-
Tunisia	41	-	-	-	-
UAE	68	5.5	5.7	5.8	6.4
Yemen	23	2.8	1.6	2.6	2.5
World	-	4.2	3.6	3	4.2
Source	TI (2012)	WEF (2012)			

The Determinants of Corruption

In economic terms, corruption begins at the meeting point of the supply of bribes (usually by private actors) and the corresponding demand (usually by public officials).⁷

On the demand side, poverty and national culture affect the prevalence of corruption.⁸ In emerging economies, low pay for civil servants, the existence of economic rents, the underdevelopment of the legal system, and weak democratic institutions worsen the situation.⁹ All these precipitating factors are alive and salient in the Arab Countries.¹⁰

Poverty and low wages are major drivers of corruption because they create a motivation – or even a need – to supplement income, sometimes by illegal means. In most Arab countries, poverty is a pervasive problem that is strongly correlated with corruption.¹¹ The existing institutional framework also facilitates corruption. As a consequence of colonial rule, and the subsequent decolonization in the mid-20th century, Arab states have retained a tradition of autocratic rule, with limited freedom and weak democratic institutions, characteristics closely associated with high corruption.¹²

A culture of inefficient and corrupt civil service – legacy of the Ottoman administrations in the Arab states – was made possible the widespread practice of *wasta*.¹³ *Wasta* roughly refers to an act of mediation or intercession to influence decisions and bestow favors upon some party based on personal connections instead of merit.¹⁴ *Wasta* often permits: the avoidance of costs or taxes, thereby reducing state revenues; the acquisition of positions of power without having the required experience and skills, thereby weakening institutions; or the acquisition of monopolies over rent-generating assets.

Indeed, in Arab countries it is possible to extract huge economic rents from valuable, but scarce assets – such as natural resources like oil and other minerals, foreign military and economic aid, and cultural and natural attractions that lure international tourism¹⁵ – over which private parties can acquire a monopoly through corruption.¹⁶ These activities add up to over one-third of the Arab economies.¹⁷

Finally, the prevailing Arab culture features “high power distance” or a general acceptance of differences in power and respect for those in positions of authority,¹⁸ which is associated with the propensity to bribe in developing nations.¹⁹ It also scores relatively high on “collectivistic” and “achievement” values (an expectation that personal ties and networks will ensure individual well-being and a drive to acquire money and other material rewards,

respectively²⁰), both of which have been found to be associated with higher levels of corruption.²¹

On the supply side, private firms decide to engage in corruption based on a cost-benefit analysis in the attempt to obtain some benefit from the government or avoid a cost, while individual managers may seek a position of power.²² Two factors significantly affect the propensity to engage in corruption: the extent to which managers perceive corruption as a normal part of doing business and the presence of social (and especially family) ties with politicians and government officers.²³ Whereas the perception that corruption is harmful to business as a whole does not affect actual corruption levels, belonging to industry networks substantially reduces corruption.²⁴

Corruption and Human Security

We have thus far discussed corruption without committing to a clear definition. Some classical definitions refer to it as the illicit exploitation of public resources for private gain, but we can observe corruption in the private sphere, as well as corruption that does not violate any law or does not generate private gain.²⁵ For the sake of our argument below, we do not require a definition of corruption that involves the public sector or breaking the law, though most of our discussion refers to corruption as illegal transactions between firms and public bodies. We focus on the economic incentives of corruption, although our arguments are only valid if these illegal transactions are perpetrated for private gain.

We consider corruption as “the abuse of entrusted power for private gain,”²⁶ which is the definition prevalent in the anti-corruption discourse at the international level. For example, the United Nations Convention against Corruption (UNCAC) invites ratifying members to criminalize bribery of public officials, embezzlement, trading in influence, abuse of function, and illicit enrichment by public officials, but also bribery and embezzlement in the private sector, money-laundering, and obstruction of justice.²⁷ Admittedly, our argument is more powerful if corruption is outlawed, in line with the UNCAC. Yet, even in the absence of legal violations, corruption is immoral and it reverberates with damaging consequences throughout the social fabric, as we discuss in the next section.

Human security refers to the notion that people should be empowered to “exercise choices safely and freely,” while feeling “relatively confident that the opportunities they have today are not totally lost tomorrow,”²⁸ and it constitutes, as it were, the “rearguard of human development.”²⁹ While human development focuses broadly on the expansion of individual capabilities and genuine opportunities for pursuing the kind of life one has reasons to value,³⁰ human security focuses on the reduction of threats to individual lives, livelihoods, and dignity.³¹ Human security revolves around three pillars: freedom from fear, freedom from want, and freedom from shame, which roughly corresponds to freedom from violence, deprivation, and loss of dignity. The main dimensions of human security include food, health, environmental, personal, community, political, and economic security.³² Evidently, corruption has negative economic, environmental, political, and social effects,³³ and so affects human security in many ways.

Economic Security in the Arab Countries

Economic security is a crucial component of freedom from want. There is an implicit agreement in the literature that economic security ultimately refers to the extent to which individuals are protected against hardships that cause economic losses.³⁴ Economic uncertainty reduces wellbeing both when economic losses occur – especially if they are unexpected and if their victims have inadequate buffer – and when they are merely feared.³⁵ Such uncertainty affects individual wellbeing, labor market behavior, saving aspirations, and political attitudes.

Since research on economic security is still at an early stage, there exists no indicator recognized as an international standard. The three main approaches experimented with so far include weighted indexes of multiple measures, assets and resources sufficiency, and income volatility, each with its own strengths and weaknesses.³⁶ As this is a broad and multi-faceted concept, attempts at measuring it have employed a vast array of concepts and indicators at the individual, household, or national level—e.g., real per capita income or household income and growth thereof, unemployment rates, employment options, work conditions, income inequality, social protection, poverty or human poverty, vulnerability of economies to international crises, foreign exchange reserves, current account balance, external debt, national savings rate, health-care delivery and financing, household debt service burden, and out-of-pocket medical expenditures, among others.³⁷

Box I Dimensions of Economic Security	
Dimension	Definition
Income security	Adequate actual, perceived, and expected income either earned or through social security. It includes the level of income, assurance of receipt, expectation of current and future income, including during retirement.
Representation security	Individual representation enshrined in laws and access to institutions. Collective representation by large, independent, and competent bodies.
Labor market security	Presence of opportunities for income-earning activities.
Employment security	Protection against the loss of income-earning employment.
Job security	Control over job content and career development.
Work security	Occupational health and safety.
Skill reproduction security	Access to education and training.
Source: adapted from ILO	

In this paper, we will limit our discussion to economic security, which is an important component of human security and is itself also a broad and multi-faceted concept. Doing so is necessary for the sake of rigor, given that good quality data are available pertaining to the general economy and income levels, as well as un-employment and poverty, which are fundamental pillars of economic security.³⁸ Table 3 reports some indicators that help us map the situation of economic security in the Arab Countries.

Table 3
Selected Economic Security Indicators, Arab Countries

	EFI	GNI (PPP)	Gini	Unemployment	Poverty
Algeria	0.715	\$ 7,658.00	35.3	11.40%	23.0%
Bahrain	0.778	\$ 28,169.00	36	15.00%	-
Comoros	0.271	\$ 1,079.00	64.3	20.00%	60.0%
Djibouti	0.430	\$ 2,335.00	39.9	59.00%	42.0%
Egypt	0.635	\$ 5,269.00	32.1	12.20%	20.0%
Iraq	0.625	\$ 3,177.00	41.5	15.00%	25.0%
Jordan	0.641	\$ 5,300.00	37.7	12.30%	14.2%
Kuwait	0.923	\$ 47,926.00	30	2.20%	-
Lebanon	0.644	\$ 13,076.00	45	10.00%	28.0%
Libya	0.753	\$ 12,637.00	-	30.00%	33.0%
Mauritania	0.453	\$ 1,859.00	39	30.00%	40.0%
Morocco	0.605	\$ 4,196.00	40.9	8.90%	15.0%
Oman	0.811	\$ 22,841.00	32	15.00%	-
Palestine	0.525	\$ 2,656.00	28	-	-
Qatar	0.852	\$ 107,721.00	41.1	0.04%	-
Saudi Arabia	0.826	\$ 23,274.00	32	19.00%	-
Somalia	0.274	-	-	-	-
Sudan	0.369	\$ 1,894.00	51	18.70%	46.5%
Syria	0.601	\$ 4,243.00	35.8	12.30%	11.9%
Tunisia	0.644	\$ 7,281.00	40.8	18.00%	3.8%
UAE	0.793	\$ 59,993.00	31	2.40%	19.5%

Yemen	0.564	\$ 2,213.00	37.7	35.00%	45.2%
World		\$ 10,082.00	39	9.10%	-
Source	HSI	UNDP	CIA		

While the Arab Countries differ greatly both in terms of human development and economic prosperity, when seen as a whole, it is fair to observe that their economies are largely dependent on oil. In 2006, for example, fuel exports constituted anywhere between 72.6% and 81.4% of the exports in the Arab Countries.³⁹ Even the economies of countries that do not have or have not yet started exploiting oil reserves strongly depend on “oil-related services, worker remittances, intraregional investment flows, regional tourism receipts, and aid.”⁴⁰ Yet oil, while having generally lifted the economic conditions of the region, is exchanged in volatile international markets and is subject to numerous and severe shocks on those markets, causing the patterns of economic growth in the region to reflect the cycles of the oil markets. For example, in Saudi Arabia GDP halved between 1981 and 1987 and in Kuwait it decreased by an astounding 18% year-on-year both in 1981 and 1982. As a consequence, the overall GDP growth for the region between 1980 and 2004 was a meager 6.4%, or less than 0.5% per year.⁴¹ Another unwelcome consequence of Arab oil-dependence is the progressive disappearance of agriculture and manufacturing.⁴² Moreover, in corrupt cultures, it is easy for economic elites to appropriate rents generated by oil, thereby exacerbating inequalities.⁴³

Another major source of economic insecurity in the Arab Countries is unemployment. With few exceptions, the rates are higher than the world average. What is worse, unemployment is growing, having passed from a weighted average of 10.6% during the 1980's to a weighted average of 14.5% in the 1990's.⁴⁴ Women and youth are among the most severely disadvantaged groups in this respect.⁴⁵ The overall youth unemployment rate is over 26%, more than twice the international average.⁴⁶ Over half the population in the region is younger than 25 years old, making the pressure for new jobs creation even more urgent, with estimates of new jobs needed ranging from a low of 50 million to a high of 100 million by 2020.⁴⁷ Among the main reasons for these high unemployment levels are a mismatch between skills provided by educational institutions and the requirements of the local economy⁴⁸ – an issue to which business schools can offer an effective, if partial, solution – and the contraction of the public sector, which employs about a third of the work force in the region⁴⁹ – and which is typically ripe with corrupt hiring and promotion practices. These figures, moreover, do not capture underemployment. Indeed, in the majority of Arab Countries, poverty rates are higher than unemployment rates.

Finally, poverty is a crucial element of economic security, as it largely captures the notion of freedom from want—namely, those who are poor are almost by definition in a condition of want. Where data are available, we observe figures ranging from a low of about 10% to a high of 60% of the population living below the national poverty line, with most countries in the 20%-40% bracket. There are also important pockets of poverty scattered across the Arab region, particularly in the low-income countries such as Yemen, Syria, Iraq and Egypt.⁵⁰

Overall, the economic security of the Arab Countries, as captured in the Economic Fabric Index (EFI),⁵¹ is not far from the world average, and sometimes above that figure (for oil countries), with the exception of the poorest countries well below the world average. Some aspects of economic insecurity including unemployment and underemployment are likely to have spillover effects not only to individual wellbeing but also to labor market behavior and interactions, serving to lubricate or facilitate different forms and manifestations of corruption.

The Link between Corruption and Economic Security

There is overwhelming evidence that corruption undermines and impedes economic growth and development because its negative externalities far outweigh the short-term advantages, if any. Indeed, the consensus supports the assertion that corruption has negative consequences on economic security: it increases costs and uncertainty, and so reduces economic efficiency while discouraging investments and creating barriers to trade.⁵² Through these various mechanisms, corruption hinders economic growth and also reduces individual income.⁵³ Moreover, it diverts government spending away from social expenditures on health care or education,⁵⁴ undermining trust in public institutions.⁵⁵ Corruption is also negatively correlated with sustainable economic development, measured through genuine wealth per capita.⁵⁶ Finally, when the elites have a stake in labor practices that exploit workers, they also have an incentive in pursuing further rents by disregarding labor standards, causing both economic security and human dignity to suffer.⁵⁷

Box 2 Costs of Corruption	
Type	Description
Economic	Increased uncertainty and transaction costs
	Ban from (or loss of reputation which lowers the chances of adjudicating) public tenders
	Exclusion from business dealings
Financial	Increase of the average cost of doing business by 10%
	Incur in fines (e.g., Siemens: \$ 1 bn)
Legal	The above-mentioned fines reflect an increasing law enforcement (so higher risk of detection and harsher punishments)
	Personal responsibility of key decision-makers, with risk of imprisonment
Ethical	Attract, retain, and motivate employees
	Ethically-oriented investors
Socio-Economic	Estimated global value of bribes \$ 1 trillion / year
	All the issues mentioned in the section on
Source: adapted from Jamali & Walburn and PACI	

In addition to the above, corruption is well known to be associated with other undesirable phenomena like human rights violations⁵⁸ and distrust in public institutions,⁵⁹ factors which worsen the losses of economic security. More generally, corruption fosters a veritable vicious cycle, whereby conditions associated with economic insecurity facilitate corruption and corruption precipitates economic insecurity.

Before moving on to the final section where we advance some practical proposals for business schools and universities to promote human security by fighting corruption, let us note that business schools can play a role in directly addressing several issues of economic (and human) security. For example, by creating an educated workforce equipped with the skills needed to succeed in local and global markets, business schools help foster economic growth and reduce poverty, thereby increasing economic security and undermining the factors that facilitate corruption. For the sake of rigor, however, on this occasion, we shall limit our analysis to the elements mediated by corruption.

Business Schools against Corruption

Over the years, many forceful calls to curb corruption have been voiced, usually targeted at public bodies, in an attempt to curb the demand-side of corruption or with the expectation that governments would play a pivotal role in fighting corruption. For example, the United Nations promoted the UNCAC, referred to above, and the UN Global Compact – that is, ten principles for responsible business, the tenth of which reads: “Businesses should work against corruption in all its forms, including extortion and bribery.” In the recent past, the focus of anti-corruption initiatives has broadened to include the private sector, with a stronger acknowledgment of the supply-side of corruption⁶⁰ and with private-led and privately enforced anti-corruption initiatives. The World Economic Forum, for example, launched the Partnering against Corruption Initiative (PACI), a platform for businesses to address corruption. In this context, we argue that business schools can take a proactive lead role in combatting corruption, both in their capacity as institutions of higher education that touch the lives of future leaders, and in their own capacity as economic institutions.

Embrace Anti-corruption Initiatives

Universities are businesses. Although they often are not profit-driven, universities have a huge economic impact on communities wherein they operate. For example, the American University of Beirut is the largest private employer in Lebanon and has an operating budget in excess of US \$200 million. Business schools should take the lead in enforcing rigorous standards within the walls of the ivory tower, contrasting egregious forms of corruption ranging from “the procurement of school resources and nepotism in the hiring of teachers, to the skewing of research results for personal gain.”⁶¹

Besides directly reducing supply-side corruption, by engaging in anti-corrupt practices, business schools generate a positive externality in the reduction of cheating behavior by their

students (more on this below), which is correlated with lower levels of corruption at later stages in their career.⁶²

Mainstream Ethics Education and Training Programs

Business schools should also actively pursue research and teaching in the field of business ethics. Ethics education is known to reduce both selfish behavior among students⁶³ and academic cheating.⁶⁴ These are worthy goals for school administrators to pursue, among other reasons, because they make their schools easier to manage (for example by reducing the need for initiatives to curb cheating (like anti-plagiarism systems, exam proctoring, and activities to punish it, such as like lengthy committee meetings), favor the achievement of educational goals (because students actually study instead of cheating), and improve reputation. Let us also note that mainstreaming business ethics education is a necessary condition to attain most international accreditations, and so also signals a commitment to high quality educational programs.

Ultimately, and most importantly, teaching business ethics will reduce corruption. One of the traditional arguments in business ethics is that economic actors should meet four progressive targets: first, create economic value; then meet legal obligations; then meet ethical obligations; and finally, pursue philanthropic initiatives.⁶⁵ Even the most cynical views on corporate social responsibility⁶⁶ openly require fulfilling the first two targets and acknowledge the third as a driver of value creation in many circumstances, though they dismiss philanthropy as wasteful and unjustified. Ethical training is also necessary to contrast those occurrences of corruption that do not violate the law. Finally, behaving ethically makes students better citizens and helps them avoid excess risks and higher costs, and generally produces beneficial outcomes for businesses, as discussed at greater length below.

A useful framework to pursue these educational goals is offered by the six Principles for Responsible Management Education,⁶⁷ which focus on the promotion of the UN Global Compact, and specifically, as mentioned, its tenth principle. To this day, the business school at the American University in Cairo is the only academic organization in the region that embraces this initiative, though the Olayan School of Business, where the authors work, has undertaken several steps in that direction.

Support Collective Actions against Corruption

As businesses, universities should actively partner with other businesses to establish and enforce broad anti-corruption initiatives. As the Noble Prize recipient Elinor Ostrom⁶⁸ has shown, bottom-up institutions of governance can emerge to successfully solve collective action problems even when top-down governmental initiatives fail. Since participation in business networks is associated with lower corruption,⁶⁹ collective action initiatives are an especially important step in fighting corruption. There are currently over 250 businesses in the MENA region that are signatories of the UN Global Compact, which constitutes a critical mass to broaden regional anti-corruption partnerships.

To conclude, business schools across the Arab region face a unique opportunity and challenge to combat corruption and serve as agents of change. As shown in this paper, corruption carries with it huge economic and political costs and as the main incubators of future business talent, business schools have an important stake to rise to the challenge. We offer below suggestions of an integrated framework for business schools to adopt in fighting corruption, revolving around three main components, namely 1) mandatory exposure to business ethics and compliance frameworks, 2) gradual mainstreaming of ethics and CSR, and 3) a five P framework for teaching anti-corruption, “Pilot, Partner, Practice, Promote, PRME,” synthesized in table 4 below.

Table 4
Business Schools against Corruption – A Platform for Engagement

Recommendation	Justification/Actionable Steps
Exposure to ethics and compliance frameworks	Compliance frameworks including ethics, governance and corporate social responsibility are mandatory to teach because trends in global business indicate a need for business leaders to think about these issues. As demonstrated, corruption is a business compliance issue, as well as a pressing socio-economic issue. An anti-corruption agenda should be fully realized in the classroom. This can be achieved by teaching it in line with strategic Corporate Governance, Strategic CSR or as a stand-alone course. Placing these topics inside a strategic management or in a stand-alone course can direct attention to pertinent business trends in CSR and anti-corruption, which are gaining momentum in institutional practice and in enforcement.
Gradual Mainstreaming	For the majority of business schools in the Arab region strategic management courses, which are required in all BBA and MBA curricula, give the subject required “air-time,” without having to introduce new courses. To address anti-corruption in an academically rigorous manner using this framework, professors can use literature dealing explicitly with teaching anti-corruption in the business school setting. The coverage can be gradually expanded to other core course, in such a way that anti-corruption becomes a mainstream feature of all business school offerings, from finance, to accounting to strategic management, human resources management and entrepreneurship.
The Five P’s	<p>Pilot Innovative Approaches and a Reality-Based Curriculum : Case studies on corruption are plentiful and are a great starting point for trying to bring reality into the classroom. In addition to case studies, numerous anti- corruption resources can also be found from institutions such as: Ethical Corporation, Transparency International, Center for Private Enterprise (CIPE), World Economic Forum, United Nations and the Organization for Economic Cooperation and Development (OECD).</p> <p>Partner with Regional Business Leaders and Anti-Corruption Specialists: Partnerships offer the opportunity for both experiential and contextual learning that is integrative in framework and approach. There are over 250 businesses and organizations that are UN Global Compact signatories in the Arab region with which schools could partner.</p> <p>Practice Transparency and Anti-Corruption: It is important that students see these behaviors modeled and applied. The university settings should be modeling the way forward both in practicing and teaching transparency methodologies. If the</p>

business school is encased in a larger university structure, it can act as an advisor to the university about sustainability practices, transparency and anti-corruption.

Promote Scholarship in Corruption: Business ethics as a scholarly field depends critically on the research of its leading scholars. If business schools make a commitment to teach business ethics, they must also accept an obligation to support scholarship in the field. As was mentioned in the notes of 30% of the completed questionnaires that relevant, regional, contextual material needs to be developed for the region.

Join the UN **PRME** Network: The value proposition for schools joining UN PRME is that it provides a framework for business schools to position themselves as innovators in integrating sustainability into management curricula and research. It also recognizes an organization's efforts to incorporate sustainability and corporate responsibility issues in teaching, research and internal systems.

Concluding Remarks

Much of the evidence presented in this paper suggests that corruption is an economic transaction deeply embedded in social relations and affected by cultural values and norms of conduct. We have shown that corruption and human development are uneasy partners, and demonstrated how corruption undermines human security and impedes human development across Arab countries. Mainstreaming anti-corruption in the business discourse and actively engaging with the economic community in joint efforts to discourage corruption are central elements in fighting this plague. As argued, business schools are uniquely positioned to pursue this goal. Being responsible for shaping the cognitive orientations of future leaders, business schools are crucial partners in the fight against corruption. The paper concluded with an overview of pedagogical techniques available to business schools in buttressing the fight against corruption. Given the multifaceted spillovers of corruption on various dimensions of human security, we argue that engaging in an earnest and systematic grass roots effort to address corruption is likely to result in a broad improvement in human conditions, which is an especially urgent imperative in the Arab countries at this particular juncture in history.

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Notes

¹ U Myint, "Corruption: Causes, Consequences and Cures," *Asia-Pacific Development Journal* 7, no. 2 (2000): 33–58.

² David S. Sorenson, "Transitions in the Arab World: Spring or Fall?" *Strategic Studies Quarterly* (Fall 2011): 22–49.

³ Adnan Badran and Moneef Zou'bi, "Arab States," in *UNESCO Science Report 2010: The Current Status of Science Around the World*, UNESCO Publishing, 2010. "Arab Human Development Report 2009: Challenges to Human Security in the Arab countries," accessed March 21, 2013, <http://www.arab-hdr.org/publications/other/ahdr/ahdr2009e.pdf>.

⁴ "Corruption Perceptions Index 2012," accessed March 20, 2013, <http://www.transparency.org/cpi2012/results>

⁵ *Id.*, "Arab Human Development Report 2009." *Id.*, Badran and Zou'bi, 2010.

⁶ Corruption does not refer to overt economic transactions and the parties involved usually go great lengths to keep it secret. Accurate measurements of actual corruption are therefore not available. Some studies nonetheless attempt direct measurements of the monetary value of the social costs of corruption (e.g., Dreher and Herzfeld, 2005). However, the consensus is that perceptions of corruption are reliable proxies for actual corruption. On the present occasion we follow this convention and employ these as indicators.

⁷ Christopher Baughn et al., "Bribery in International Business Transactions," *Journal of Business Ethics* 92 (2010): 15–32, <http://dx.doi.org/10.1007/s10551-009-0136-7>.

⁸ Raymond Fisman and Edward Miguel, "Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets," *Journal of Political Economy* 115, no. 6 (2007): 1020–1048.

⁹ Patrick Glynn, Stephen Kobrin, and Moises Naim, "The Globalization of Corruption," in *Corruption and the Global Economy*, ed. Kimberly Elliott, Washington DC: Institute for International Economics, 1997, 7–27. Andrei Shleifer and Robert Vishny, *The Grabbing Hand: Government Pathologies and their Cures*, Cambridge: Harvard University Press, 1998. Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform*, Cambridge: Cambridge University Press, 1999. Bertrand Venard and Mohamed Hanafi, "Organizational

Isomorphism and Corruption in Financial Institutions: Empirical Research in Emerging Countries,” *Journal of Business Ethics* 81, no. 2 (2008): 481–498.

¹⁰ Dima Jamali and Amy Walburn, “Business Schools as Agents of Change: Addressing Endemic Corruption in the Arab World,” in *Teaching Anti-Corruption and Developing a Foundation for Business Integrity*, ed. Agata Stachowicz-Stanusch and Hans Krause Hanse, Hershey PA: IGI Global, 2012.

¹¹ For the countries considered here, the correlation between the Income Index and the CPI is .78 (Table 1).

¹² Samir Makdisi, “Development without Democracy in the Arab World,” lecture and working paper series No. 2, American University of Beirut, Lebanon, 2009, http://www.aub.edu.lb/fas/ife/Documents/downloads/series2_2009.pdf. Xun Wu, “Determinants of Bribery in Asian Firms: Evidence from the World Business Environment Survey,” *Journal of Business Ethics* 87, no. 1 (2009): 75–88.

¹³ Paul Salem, “The Impact of Corruption on Human Development in the Arab World,” UNDP and Lebanese Transparency Association, 2003.

¹⁴ Jihad Makhoul and Lindsey Harrison, “Intercessory Wasta and Village Development in Lebanon,” *Arab Studies Quarterly* 26, no. 3 (2004): 25–41.

¹⁵ Craig Jenkins et al., “International Rentierism in the Middle East and North Africa, 1971–2008,” *International Area Studies Review* 14, no. 3 (2011): 3–31.

¹⁶ Ziad Hafez, “The Culture of Rent, Factionalism, and Corruption: A Political Economy of Rent in the Arab World,” *Contemporary Arab Affairs* 2, no. 3 (2009): 458–480.; *Id.*, Shleifer and Vishny, 1998; Hazem Beblawi, “The Rentier State in the Arab World,” in *The Arab State*, ed. Giacomo Luciani, London: Routledge, 1990, 85–98

¹⁷ *Id.*, Jenkins et al., 2011, 3–31.

¹⁸ Geert H. Hofstede, Gert Jan Hofstede, and Michael Minkov, *Cultures and Organizations: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, 3rd ed., New York: McGraw-Hill, 2010.

¹⁹ Baughn et al., “*Bribery in International Business Transactions*,” 15–32.

²⁰ *Id.*, Hofstede, Hofstede, and Minkov, 2010.

²¹ Bryan Husted, “Wealth, Culture, and Corruption,” *Journal of International Business Studies* 30, no. 2 (1999): 339–359.

²² Susan Rose-Ackerman, “The Political Economy of Corruption,” in *Corruption and the Global Economy*, ed. Kimberly Ann Elliot, Washington: Institute for International Economics, 1997, 31–60.

²³ *Id.*, Collins, Uhlenbruck, and Rodriguez, 2009, 89–108.

²⁴ *Ibid.*

²⁵ Seumas Miller, “Corruption,” in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta, 2011, accessed March 21, 2013, <http://plato.stanford.edu/archives/spr2011/entries/corruption/>.

²⁶ “Corruption Perceptions Index 2012”

²⁷ We took some time to discuss our working definition of corruption, because the sources we refer to employ a variety of definitions. Ours here is broad enough to encompass all the definitions encountered in our sources, and narrow enough to be meaningful.

²⁸ “Human Development Report 1994,” accessed March 21, 2013, <http://hdr.undp.org/en/reports/global/hdr1994/chapters/>.

²⁹ “Arab Human Development Report 2009,” 2.

³⁰ Amartya K. Sen, *Commodities and Capabilities*, Oxford: Elsevier Science Publishers, 1985; “Human Development Report 2011,” accessed March 21, 2013, <http://hdr.undp.org/en/reports/global/hdr2011/download/>.

³¹ “Human Development Report 1994.” “Arab Human Development Report 2009.”

³² “Human Development Report 1994.” “Arab Human Development Report 2009.”

³³ “Corruption Perceptions Index 2012”

³⁴ Jacob S. Hacker et al., “The Economic Security Index: A New Measure for Research and Policy Analysis,” Working Paper Series 2012-21, Federal Reserve Bank of San Francisco, 2012.

³⁵ *Ibid.*

³⁶ *Ibid.*

³⁷ See Box 1. for some dimensions of economic security.; *Id.*, Hacker et al., 2012.; David A. Hastings, Human Security Index, “Human Security Index: Update & New Release,” accessed March 28, 2013, http://www.humansecurityindex.org/wordpress/wp-content/uploads/2012/02/hsiv2-documentation-report1_1.pdf.; “Definitions: What We Mean When We Say “Economic Security,”” International Labour

Organization (ILO), last modified 2004, <http://www.ilo.org/public/english/protection/ses/download/docs/definition.pdf>; "Human Development Report 1994." "Arab Human Development Report 2009."

³⁷ "Human Development Report 1994."

³⁸ This is conventional in the sources we consulted in writing this section (e.g., "Human Development Report 1994," "Arab Human Development Report 2009," and Abdel Gadir Ali Ali, "A Note on Economic Insecurity in the Arab Countries," (working paper series API/WPS 0902, The Arab Planning Institute, Kuwait, 2009), <http://www.arab-api.org/jodep/products/delivery/wps0902.pdf>).

³⁹ "Arab Human Development Report 2009," 100.

⁴⁰ *Ibid.*, 99.

⁴¹ *Ibid.*, 101.

⁴² "Arab Human Development Report 2009."

⁴³ However, income inequality in the Arab Countries is on a par with the rest of the world and generally lower than inequality in middle-income countries. Since most Arab Countries fall into the middle-income category, this is an indication that they are relatively equal; Richard JR. Adams and John Page, "Poverty, Inequality and Growth in the MENA Countries, 1980-2000," *World Development* 31, no. 12 (2003): 2027–2048.

⁴⁴ "Arab Human Development Report 2009," 109.

⁴⁵ "Arab Human Development Report 2009."

⁴⁶ "Global Employment Trends for Youth 2012," ILO, accessed March 27, 2013, http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_180976.pdf.

⁴⁷ "Addressing the 100 Million Youth Challenge Perspectives on Youth Employment in the Arab World in 2012," World Economic Forum, accessed March 20, 2013, http://www3.weforum.org/docs/WEF_YouthEmployment_ArabWorld_Report_2012.pdf;

"Economic Developments and Prospects: Job Creation in an Era of High Growth," The World Bank, last modified 2007, accessed March 19, 2013,

http://siteresources.worldbank.org/INTMENA/Resources/EDP_2007_REPORT_Aug7.pdf.

⁴⁸ "The Role of Large Employers in Driving Job Creation in the Arab World," World Economic Forum, last modified 2012, accessed March 27, 2013, http://www3.weforum.org/docs/WEF_RoleLargeEmployer_JobCreationArabWorld_Report_2012.pdf.

⁴⁹ Edward Gardner, International Monetary Fund, "Creating Employment in the Middle East and North Africa," last modified 2003, accessed April 1, 2013, <http://www.imf.org/external/pubs/ft/med/2003/eng/gardner/>.

⁵⁰ Abdel Gadir Ali Ali and Shenggen Fan, "Public Policy and Poverty Reduction in the Arab Region," first published by the Arab Planning Institute, Kuwait, 2009, accessed April 15, 2013, <http://www.ifpri.org/sites/default/files/publications/arabregion.pdf>.

⁵¹ "Human Security Index."

⁵² Paolo Mauro, "Corruption and Growth," *The Quarterly Journal of Economics* 110, no. 3 (1995): 681–712.; Steven Knack and Philip Keefer, "Institutions and Economic Performance: Cross-Country Tests Using Alternative Measures," *Economics and Politics* 7, no. 3 (1995): 207–227.; Pak Hung Mo, "Corruption and Economic Growth," *Journal of Comparative Economics* 29, no. 1 (2001): 66–79.; Lorenzo Pellegrini and Reyer Gerlagh, "Corruption's Effect on Growth and Its Transmission Channels," *Kyklos* 57, no. 3 (2004): 429–56.; Pierre-Guillaume Méon and Khalid Sekkat, "Does Corruption Grease or Sand the Wheels of Growth," *Public Choice* 122 (2005): 69–97.; Francisco L. Rivera-Batiz, "International Financial Liberalisation, Corruption and Economic Growth," *Review of International Economics* 9 (2001): 727–737.; Andrei Shleifer and Robert Vishny, "Corruption," *Quarterly Journal of Economics* 108, no. 3 (1993): 599–617.; Jamel Zarrouk, "A Survey of Barriers to Trade and Investment in Arab Countries," in *Arab Economic Integration*, ed. Ahmed Galal and Bernard Hoekman, Washington DC: Brookings Institution Press, 2003.

⁵³ Isaac Ehrlich and Francis T. Lui, "Bureaucratic Corruption and Endogenous Economic Growth," *Journal of Political Economy* 107 (1999): 270–293.; Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, "Governance Matters," Policy Research Working Paper 2196, The World Bank, Washington DC, 1999.; Zvika Neeman, M. Daniele Paserman, and Avi Simhon, "Corruption and Openness," Discussion Paper Series DP353, The Center for the Study of Rationality, Hebrew University, Jerusalem, 1–38, 2004.; Heinz Welsch, "Corruption, Growth, and the Environment: A Cross-country Analysis," *Environment and Development Economics* 9, no. 5 (2004): 663–693.

⁵⁴ Paolo Mauro, "Corruption and the Composition of Government Expenditure," *Journal of Public Economics* 69, no. 2 (1998): 263–79.

⁵⁵ Joel S. Hellman and Daniel Kaufmann, "The Inequality of Influence," in *Building a Trustworthy State in Post-Socialist Transition*, ed. János Kornai and Susan Rose-Ackerman, New York: Palgrave, 2004, 100–118.

⁵⁶ Toke S. Aidt, "Corruption, Institutions and Economic Development," *Oxford Review of Economic Policy* 25 (2009): 271–291.

⁵⁷ Errol Mendes, "Corruption Corroding the Global Economy and Sustainable Development: The United Nations Global Compact at Risk," in *Business against Corruption: Case Stories and Examples*, ed. Birgit Errath (United Nations Global Compact Office, 2006), 27–32, http://www.unglobalcompact.org/docs/issues_doc/7.7/BACbookFINAL.pdf.

⁵⁸ *Ibid.*

⁵⁹ *Id.*, Hellman and Kaufmann, 2004, 100–118.

⁶⁰ For example, the OECD Anti-Bribery Convention, which we will overlook in what follows as none of the Arab Countries are either signatories of the convention or members of the OECD.

⁶¹ Transparency International, "Global Corruption Report: Education," forthcoming in mid-2013, accessed March 22, 2013, http://www.transparency.org/research/gcr/gcr_education.

⁶² Sarath Nonis and Cathy Owens Swift, "An Examination of the Relationship between Academic Dishonesty and Workplace Dishonesty: A Multicampus Investigation," *Journal of Education for Business* 77, no. 2 (2001): 69–77.

⁶³ James Jr. S. Harvey, and Jeffrey P. Cohen, "Does Ethics Training Neutralize the Incentives of the Prisoner's Dilemma? Evidence from a Classroom Experiment," *Journal of Business Ethics*, 50, no. 1 (2004): 53–61.

⁶⁴ James Bloodgood, William H. Turnley, and Peter Mudrack, "The Influence of Ethics Instruction, Religiosity, and Intelligence on Cheating Behavior," *Journal of Business Ethics* 82, no. 3 (2008): 557–571.

⁶⁵ Archie Carroll, "A Three-Dimensional Conceptual Model of Corporate Performance," *The Academy of Management Review* 4, no. 4 (1979): 497–505.

⁶⁶ Milton Friedman, "The Social Responsibility of Business Is To Increase Its Profit," *The New York Times Magazine* 13 (1970): 32–33, 122, 124, 126.

⁶⁷ "UN Global Compact Annual Review 2007 Leaders Summit," accessed March 20, 2013, http://www.unglobalcompact.org/docs/news_events/8.1/GCAnnualReview2007.pdf.

⁶⁸ Elinor Ostrom, "Beyond Markets and States: Polycentric Governance of Complex Economic Systems," Prize Lecture December 8, 2009, accessed March 28, 2013, http://www.nobelprize.org/nobel_prizes/economics/laureates/2009/ostrom_lecture.pdf#search='ostrom+institutions'.

⁶⁹ *Ibid.*

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