

# Preface

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While corruption is pervasive in all countries the world over, it has perhaps received the most notoriety in developing countries that have an abundance of mineral deposits, such as diamonds, oil and natural gas. Among these developing countries, the oil-exporting countries of the Persian Gulf have, deservedly or undeservedly, received the most attention in the popular media.

In this book, we look at what constitutes corruption, how it is measured, whether it is more acute in Persian Gulf countries than in other countries, and what special forms it takes because of the dominant position of the oil and natural gas sectors in these economies. We then examine the major factors that promote corrupt practices and how corruption affects economic and social development.

While corruption is pervasive in developing countries, some in the media attribute the corruption in this region to their shared religion, Islam. Islamic teachings on corruption are very clearly articulated – corruption is unacceptable. Islam condemns corruption as socially destructive and economically detrimental, and admonishes those who engage in it.

We then turn to a more detailed empirical examination of the role of oil and gas in promoting corruption, the special characteristics of corruption in countries with significant endowment of oil and gas resources, and the effect of corruption on economic development and growth in the Persian Gulf. Finally, we turn to how corruption may be minimized in these countries.

It is evident that significant oil and gas endowment has been a key element in the manifestation of corruption in many oil-exporting countries, and especially in some of the Persian Gulf countries. While corruption adversely affects the interests of the current and future generations of citizens in all countries, in these oil-exporting countries the adverse effects are more pervasive. As Robert Solow articulated in his famous article of 1974, for intergenerational equity to be preserved, other forms of capital must replace the depletion of capital in the form of oil and gas to preserve a constant capital stock. Wasteful expenditures such as those on arms and wars, and even productive expenditures that enrich certain segments of society who are in the position to benefit, and corruption all rob every generation of citizens. We conclude that intergenerational equity can be

only addressed through a fund that takes in all oil and gas revenues and issues an annual sum of equal real purchasing power to citizens of all generations. For this to happen, the intergenerational role of corruption in resource-abundant economies has to be acknowledged and publicized more strenuously. This effort has to be, in part, supported from outside the region to put pressure on the leadership in these countries, or it is unlikely that significant steps will be taken in this direction.