Less corruption

The *kraken* of corruption has spread its tentacles throughout pretty much every country of the world, hopelessly entangling politicians, government officials, economic agents, judges and even unsuspecting business owners. Corruption can take many forms: as active or passive bribery, it is unambiguously criminal – but granting the occasional advantage is often considered innocuous, and lobbying is deemed by many to be an entirely socially acceptable practice.

Wherever the legal boundaries between criminal behaviour and supposed lawfulness may run, when analysed through the lens of economics, the same apparatus – a monopoly – is invariably at the root of corruption. The "monopoly rent" such structures generate produces a pool of funds, which the powers-that-be then allocate according to self-arrogated rules.

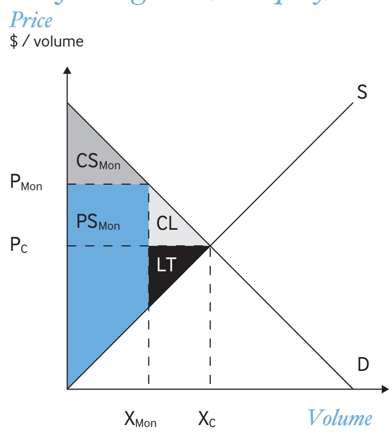
Whether legal, semi-legal or wholly illicit, corruption results in economic loss, as output under monopolistic conditions is lower than in a competitive environment and goods and services are less affordable for consumers as a result. Allocation of monopoly rent under rules laid down by those in power can paralyse whole sections of society, even creating conditions akin to civil war.

The 29th edition of *bergsicht* conducts an unsparing analysis of corruption, stripping away our illusions before arriving at conclusions that are nonetheless grounds for some optimism. Microeconomic mechanisms can be deployed to combat the evil at source. These mechanisms include imposing temporal and material limitations on any advantages granted, allotting such advantages by auction (or even assigning them through pure chance [dice-rolling]), and generally eschewing unnecessary regulation – thus keeping the associated sinecures, both great and small, in check.

Ultimately, we see the proliferation of peer-to-peer structures as a major opportunity to banish the *kraken* of corruption back beneath the waves. For corruption to occur, at least three parties must be involved (and one of these will typically be an institution). Yet peer-to-peer business is transacted without the involvement of any institution – only two parties are required. Thanks to digitalisation, we therefore confidently predict: less corruption!

A short section of *bergsicht* 29 is also devoted to the upcoming referendum on the "No Billag" initiative. Here, *bergsicht* concludes that the granting of undue advantage to private radio and television broadcasters, creatives, sports event organisers and the like has been endemic in Swiss media policy for many years as a way of justifying the exclusive right to impose a licence fee (essentially a household/poll tax) conceded to the Swiss Broadcasting Corporation (SRG). In the face of the all-out assault on the SRG's monopoly mounted by the backers of the "No Billag" initiative, a reduction in the licence fee was promptly posited, in the same breath as a scheme to make up the shortfall with a corporation tax. *bergsicht*'s author calls this out as attempted vote-buying, which is in fact an indictable offence under Article 281 of the Swiss Criminal Code. But, he asks, what can you do when half a democracy has an underdeveloped sense of injustice?

Profit diagram (monopoly)



S = supply
CS_{Mon} = consumer surplus (monopoly)
CL = consumer loss
D = demand
P_{Mon} = price (monopoly)
P_C = price (competition)
PS_{Mon} = producer surplus (monopoly)
LT = lost turnover
X_{Mon} = volume (monopoly)
X_C = volume (competition)

bergsicht follows in the tradition of the "Investment commentary", which Dr. Konrad Hummler initiated during his time as partner of the bank Wegelin & Co. The ideas debated in bergsicht are the fruit of lively dicussions within the team at M1 AG, a small think-tank of independent scepticswith a passion for discourse. *bergsicht* explores contemporary strategic issues and examines social and economic affairs from a variety of angles..