

HP's Russia Scandal: A Little Bribery Never Hurt Anybody

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While the [U.S. Securities and Exchange Commission](#) and Department of Justice [sniff around at Hewlett-Packard's \(HPQ\)](#) dealings in Russia -- a few German HP executives are accused of paying Russian officials \$11 million in bribes to win a \$47 million contract -- at least one economist argues that all of the hullabaloo surrounding bribery is a little silly.



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Jeffrey Miron, a senior lecturer at Harvard's Department of Economics and a senior fellow at the Cato Institute, says that the Foreign Corrupt Practices Act is a "feel-good" policy that does nothing to prevent or eliminate corruption overseas. Instead, he argues, it [handicaps U.S. companies that are just trying to make a buck](#).

"I do not see a good argument for this law. It puts U.S. companies at a competitive disadvantage, and it probably hurts the residents of countries where bribery is standard practice. Bribery allows U.S. companies to circumvent regulation that protects incumbents, so bribery is likely to generate increased competition, greater investment, and higher wages," Miron writes on his blog.

Miron argues that governments which are serious about stamping out corruption would first eliminate the regulations and laws that make bribery so appealing in the first place.

"Why does bribery occur?" asks Miron. "Usually a policy has prevented somebody from doing something they want to do. A lot of countries require permits to start certain businesses, and when you have licensing restrictions that prevent people from supplying services, of course they're going to be tempted to pay bribes. Usually these policies are barriers to entry that don't have a particularly good justification in terms of making things work better. They're just protecting incumbents."

As for whether the U.S. would be encouraging the practice by playing along, Miron doesn't think that it would make any difference whether or not U.S. companies were legally prohibited from paying bribes outside the U.S.

"When U.S. companies do business in other countries, we let foreign governments enforce the laws against corruption. And if U.S. companies aren't [paying bribes] other companies from other countries are going to do it."

Alexandra Wrage, president of Trace International, a nonprofit that works toward reducing corruption internationally, doesn't quite agree.

"Corruption is theft. It has a devastating impact on the countries that can afford it least and it kills people," Wrage wrote to *DailyFinance* by email. "Compromised contracts mean buildings collapse; bribed petty officials let expired pharmaceuticals on the market; criminals bribe their way past security check points or bribe to obtain false paperwork. The citizens of the most corrupt countries suffer the most."

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