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CULTURE AND POLITICAL CORRUPTION;
CAUSES OF CORRUPTION: A COMPARATIVE STUDY

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Resumen

La cuestión central de este artículo es por qué en algunos países la corrupción está más extendida que en otros. Para ello, tras efectuar una revisión de la literatura sobre corrupción se realiza un análisis multivariado de regresión con el método de mínimos cuadrados, para una muestra de 107 países. El artículo concluye que la corrupción es una función del nivel de desarrollo, la libertad económica y la calidad de la democracia. Un mayor desarrollo y una mayor libertad económica inhiben los niveles de corrupción. En el caso de la democracia la relación no es lineal. Los países de democratización reciente presentan una mayor corrupción que algunos autoritarismos. A la vez, la introducción de una variable de control geográfico-cultural refuerza esta conclusión mostrando que aquellas regiones que transitaron recientemente hacia la democracia y al mercado muestran una peor calificación en el índice de corrupción.

Abstract

This article's main question is why in some countries corruption is more pervasive than in others. In order to do so, after a succinct review of the state of the art, the author carries out a multivariate ordinary least squares regression analysis for a 107 countries sample. The article concludes that corruption is a function of development, economic freedom, and democratic quality. A greater level of development and economic freedom inhibit corruption levels. In regards to democracy the relation is non-linear. Recently democratized countries show higher corruption scores than authoritarian countries. By the same token, the introduction of cultural-geographic control variable strengthens this findings, revealing that those regions where democratic and market transitions have taken place, show a worst score in the corruption index.

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1. INTRODUCTION¹

The importance attached to corruption within the global agenda since the end of the Cold War has emphasised the significance of studies into the causes and consequences of corruption. Naim (1995) has rightly pointed out that during the 90's there was a worldwide upsurge in corruption, characterized by a large number of political scandals, which took place both in developed and underdeveloped countries.

In Latin America, two presidents were deposed on charges of corruption, whereas a third one was accused of having obtained funding from drug dealers². On the other hand, several Latin American heads of state have been the targets of serious accusations of corruption. However, corruption has not been restricted to Latin America or to developing countries. The "Mani Puliti" anti-corruption campaign exposed the connections between the political class and the Mafia in Italy, and it involved former prime ministers and leaders of the main political parties. It even led to a profound transformation of the party system. Also, it is worth remembering the case of Helmut Kohl, a former German foreign minister, who was charged with embezzlement, as well as the suicide, at the beginning of 1990, of a former French prime minister, after he came under suspicion of committing crimes during his term of office. The recent Enron and WorldCom scandals in the United States remind us that corruption is far from being a problem affecting only the Southern hemisphere.

Meanwhile, in the last few years, the phenomenon of corruption has become an important item in the agenda of international organizations of credit. The financial crisis in Southeast Asia in 1997 made the IMF and the World Bank become concerned about corruption, thus emphasizing the necessity for *good governance*³ in the face of the so-called *crony capitalism*.

¹ We are indebted to Carlos Gervasoni who was more than generous in giving us his time and making contributions in the methodological field. Mistakes are, as usual, entirely ours.

² These were the cases of Fernando Collor de Melo in Brazil and Carlos Andrés Pérez in Venezuela, deposed in 1992 for corruption. Meanwhile, in Colombia, Fernando Samper was accused of having received funding from drug dealers during his electoral campaign.

As a result, both public and private agents from different parts of the world began to seek coordinated ways of dealing with this global scourge. This concern was translated into such initiatives as the creation of the non-governmental organization Transparency International, sponsored by the World Bank and other organizations of the civil society interested in fighting against corruption. On the other hand, at the governmental level, several conventions creating an international legal framework in the field were signed. Among them, it is worth mentioning the Convention signed by the OECD and the Convention subscribed at a regional level by the member countries of the OAS.

Both the surge of corruption as a global phenomenon and the appearance of the aforementioned initiatives took place in a period when Latin American and Eastern European countries went from authoritarianism to democracy. At the same time, these countries began to gradually implement market policies, as a consequence of the crisis of [protectionist](#) market economic policies in Latin America, and the demise of communism in Eastern Europe and the Soviet Union.

Therefore, it is relevant to look for answers to the following questions: Why is corruption in some societies more persistent and prejudicial than in others? Are democratic countries less prone to corruption than authoritarian regimes? Does excessive regulation always give rise to corruption?

2. RELEVANCE OF THE PROBLEM

Is corruption really a problem? Although the a priori answer to this question is quite obvious, the truth is that it is far from being so, and there have been scholars who have highlighted some positive externalities generated by corruption in certain circumstances. Theobald (1990) includes Merton, Huntington and Leff among those who adhere to this approach.

The following are often mentioned as benefits that allegedly arise from corruption:

³ Although the term *governance* is not new, it has been increasingly used by international organizations of credit. To them, *good governance* implies ensuring the rule of law, respecting private property, controlling corruption and crime, and

- a. Corruption allows more social mobility in rigidly stratified societies. Theobald (1990), Maingot (1994) and Lipset and Salman Lenz (2001) consider Robert K. Merton to be an exponent of this idea.
- b. Corruption may foster efficiency in so far as, in highly regulated societies, business people compete, through bribery, for scarce goods, such as government contracts, foreign currency, import licences, etc.
- c. Corruption may reduce political violence. In this sense, an agreement among elites by virtue of which access to state resources is divided among them, may help to reduce political violence.

Huntington (1998) has argued that in transition societies corruption even promotes development, alleging that an absolutely honest bureaucracy, highly zealous in their compliance with regulations, may be even more prejudicial than a corrupt bureaucracy. Obviously, what Huntington has in mind are civil servants within a context of excessive regulation. In this respect, the author refers to corruption as the grease that oils the cogs of bureaucracy.

Girling (1997), on the other hand, asserts that corruption is functional for society only in certain situations:

1. When it helps to overcome the rigidity of an over-regulated economy, thus giving incentives to business people in regimes with a strong dislike for private initiative.
2. When it allows ethnic or other kind of minorities to overcome political obstacles.
3. When it serves the provision of welfare services to clients who are subject to authoritarian regimes.

However, in the last few years, these arguments have been challenged by several authors, who have discussed the harmful effects of corruption. In this regard, recent studies show that corruption has negative effects at the economic, social and political levels.

In the economic field, studies by Paolo Mauro (1995 and 1996) show that corruption affects the growth rate of a country in a negative way, since it deters investment. Empirical evidence presented by Mauro shows that an [improvement in the standard deviation](#) of the Corruption Index prepared by Political Risk Services is associated with an increase in investment by 3 percent of GDP. Mauro attributes this to the fact that corruption acts as a kind of tax that reduces investment incentives. In addition, the author holds that corruption has a negative impact on growth rates because of its effects on the structure of government expenditure. In this regard, corruption reduces investment priorities in such areas as health or education, since opportunities for bribery are fewer than in other areas, such as public works. Low investment in education is, in turn, associated with low growth rates.

The United Nations Development Programme (1997) observes that, among other consequences, corruption causes uncertainty in the economic sphere, which is translated into short-term oriented business behaviour. UNDP's argument coincides with the Weberian idea that modern industrial capitalism requires predictable regulations and with measurable effects, and that these regulations should be applied by a rational bureaucracy, that is, one which is efficient and free from ambiguities. Otherwise, Weber claims, conditions are in place not for the rise of modern rational capitalism, but of other forms of capitalism, related to occasional activities (Weber, 1978).

Susan Rose-Ackerman (1996a), argues against the alleged efficiency arising from bribery, claiming that in bid processes tainted with bribery, the awardee is not necessarily the most efficient bidder but the most unscrupulous. In addition, against those who consider corruption to be a market phenomenon, she claims that corrupt agreements cannot be filed in court as evidence.

At the social level, Gupta, Davoodi and Alonso-Terme (1998) have shown, through the use of data from a broad sample of countries, that the [worsening in a standard deviation](#) in the Political Risk Services' Corruption Index is associated with growth by 4.4 points in the Gini index. Moreover, evidence shows that corruption is also positively associated with an increase in poverty. The effect of corruption on poverty and inequality –according to the authors, could be the result of two main factors: a fall in the economic growth rate, necessary for reducing poverty, and fiscal evasion, which harms the mass of resources assigned to social policies.

At the political level, the effects of corruption are also highly detrimental. Corruption affects the capabilities of politicians and public officials. “Political corruption has specific consequences on the political class, the way in which political careers evolve, the capabilities required of a politician who participates systematically in corrupt exchange, the motivations that push individuals in politics” (Della Porta and Vanucci, 1999: 71).

The natural consequence of this process is the rise of “business politicians”, that is, those with the necessary capabilities to act in a corrupt system. As Della Porta and Vanucci claim, efficiency and merit are replaced by loyalty, pragmatism, networking capabilities, and, above all, by the absolute lack of scruples.

On the other hand, the potential undermining effect of corruption on democracies should not be left aside: this would create conditions for a crisis in the representative nature of such democracies, a crisis in the political regime, or the rise of populist leaders (Labaqui, 2000).

In conclusion, there are grounds to hold that corruption causes more harm than good to societies, specially in the case of democratic societies, and that the positive externalities that it may generate, are more than counterbalanced by its negative effects.

3. THE STUDY OF CORRUPTION

Together with the relevance attained by corruption, empirical research on the subject has increased significantly in recent years. Nonetheless, the study of corruption from the point of view of scholars is not new. In this regard, it is useful to highlight that studies on corruption have been traditionally hindered by several difficulties.

To begin with, even the definition of corruption is a hotly debated issue, which has not yet come to an end. With respect to this, Theobald remarks that:

“ corruption (...) proves to be an elusive and complex human phenomenon: in fact, the more one examines it, the more difficult it becomes to distinguish corruption from other forms of social exchange. The task of definition is not made easier by the fact that corruption, by its very nature, is inseparable from questions of public morality in general” (1990: 1).

This author divides definitions of corruption into four large categories:

1. Definitions based on the notion of public sphere: these definitions are strongly influenced by the Weberian-style ideal type of legal-rational bureaucracy. For example, Huntington defines corruption as a “deviance of public officials’ behaviour, which departs from established standards to serve private interests” (Huntington, 1998: 63).

2. Definitions based on Public Interest: according to this approach corruption is behaviour which goes against public interest, and which involves the subversion of public interest to serve private interest.

3. Definitions based on public opinion: corruption is defined according to what society deems corrupt. Heidenheimer, for example, differentiates white corruption from gray and black corruption, according to the degree of tolerance of corruption by masses and elites.

4. Legalistic definitions: in these cases, corrupt behavior necessarily involves the perpetration of an illegal act. Thus, Theobald defines corruption as the “illegal use of public office for private gains” (1990).

Consensus has been reached on the idea that corruption is linked to confusion between the private and public spheres, and that it involves deviant behaviour. Beyond this point, agreement is rarely found⁴.

A second difficulty in studying corruption lies in the fact that it is not easily observed and measured. As we know, corruption takes place in the shadows, in secret. Lipmann rightly pointed out that is impossible to write a “history of corruption”, and that, instead, it is only possible to write a “history of the expression of corruption” (Maingot, 1994). The secret nature of corruption restricted analyses to merely speculative studies. With regard to this, Theobald said:

“there are no statistics on corruption, therefore, statements about its incidence are necessarily impressionistic, heavily influenced by its public profile in a given country or the extent to which is discussed in the press and is also a topic of everyday conversation” (1990).

⁴ For a thorough analysis of the discussion about the definitions of corruption see Theobald (1990), Johnston (1996) and Pritzl (2000).

However, two factors have contributed to partially overcome these limitations. Consulting firms devoted to the analysis of political risk began to build corruption indices, based on surveys carried out among investors and business people. On the other hand, due to the importance attached to corruption in the 90's, the NGO Transparency International was created, which, among other tasks, has built the Corruption Perceptions Index. This index is based on surveys, though it extends the range of sources by adding public opinion polls to business people's opinions. There is no doubt that the CPI does not report on the real level of corruption in a given country. Nonetheless, it is a good approximation which offsets the above mentioned limitations. The CPI, leaving criticisms aside, appears as a valid and reliable indicator⁵.

In short, the work of private consulting firms in the first place, and more recently, of Transparency International, has expanded the scope of studies of corruption. This has resulted in comparative empirical studies of the causes, consequences and factors that favour corruption.

4. THE CAUSES OF CORRUPTION: STATE OF THE ART

Why are some societies more prone to corruption than others? Which factors explain the differences in societies as to the scope of corruption?

Literature on corruption highlights four main causes of corruption: culture, social conflict, incentive structures shaping individual choices and the degree of development.

First of all, there are those who assign a leading role to culture. According to this approach, what is seen as corrupt behaviour in some cultures, is tolerated in others. Gifts to public officials or tips are typical ways of behaviour in certain societies, which do not consider them illegitimate. Along similar lines, other authors highlight the importance of such variables as the influence of the British colonial past, which has been considered to be a factor

⁵ This is not the place to include a detailed description of the methodology used by TI in building the index, instead, that task

favouring lower levels of corruption (Lipset and Salman Lenz, 2001), or those theories based on cultural differences between Catholics and Protestants.

Secondly, there are those who hold that social conflict fosters corruption. According to Merton, cultures which emphasise economic success as an important goal, but which also limit access to opportunities will have higher levels of corruption (Maingot, 1994). Here, it has been assumed that because legitimate social mobility is being hindered, there is a tendency to resort to “deviant” measures to fulfil socially valued goals (Lipset and Salman Lenz, 2001). Also, following this line, it has been argued that social heterogeneity stimulates corruption. According to this viewpoint, if politics become too praetorian⁶ (Huntington, 1998) in highly fragmented societies and take the form of a zero sum game, control of customer networks and political resources becomes fundamental, and this favours the rise of corruption.

Thirdly, literature on corruption often highlights the degree of development as a relevant factor when explaining the differences in corruption among countries. Corruption is linked to the lack of a professional and efficient bureaucracy. The latter requires a modern economy and a stable tax system (Weber, 1978). As a consequence, corruption is associated with failure to collect enough taxes to pay civil servants properly (Theobald, 1990). Developing countries thus face a vicious circle: failure to collect taxes weakens state administrative capabilities, which, in turn, weakens the tax-collecting capability of the state. Likewise, other factors inherent to underdevelopment that contribute to worsen the problem of corruption are institutional instability in the public sector and the high degree of statism which is often seen in developing countries.

Finally, we find theories which underline individual choice. In these theories, an individual is conceived as a rational actor who makes choices in a certain social and economic context. This entails an individual who, in the presence of corrupt behaviour, can rationally weigh his moral scruples and his fear of sanctions and of disapproval against potential material gains and psychological rewards. In this approach, what is important is the incentive

shall be performed in the final report of this research.

⁶ Huntington characterises praetorian societies as those in which social forces face each other naked; they do not recognise each other nor accept political institutions, or bodies of professional political leaders as legitimate mediators to moderate conflicts among groups, and, equally important, there is no agreement among groups as to which are the legitimate and authorised methods to solve such conflicts. Each group uses the means that reflect their nature and particular capabilities. Affluent people pay bribes, students take part in riots, workers go on strike, crowds make demonstrations and military people overthrow governments (1998: 178-179).

structure given by institutions to individuals, so that they choose to get involved in corrupt practices or refuse to do so. Robert Klitgaard (1989) holds that:

CORRUPTION = MONOPOLY + DISCRETIONALITY – ACCOUNTABILITY

Following this line of thought, Susan Rose-Ackerman (1996b) argues that corruption is a function of the degree of honesty and integrity of public officials and citizens, but that, if these factors are kept constant, the levels of corruption are a function of the mass of available gains, the risk associated with the perpetration of corrupt acts and the negotiating power of the bribe payer and the bribe receiver.

Thus, those institutional structures which reduce discretionality and stimulate transparency contribute to cut opportunities for corruption. From the political point of view, democratic regimes should be less corrupt than authoritarian ones, since democracies have accountability mechanisms which limit the possibilities of corruption. Additionally, from the economic viewpoint, policies that increase competition and reduce state discretionality should be aimed at restricting the possibility of occurrence of corruption acts. Is this really so? As we have explained in the introduction, one of the main paradoxes of the 90s is that the upsurge of corruption took place together with the third wave of democratisation and the implementation of market reforms in former Communist countries and in Latin America.

2.1 DEMOCRACY AND CORRUPTION

What is the role played by political regimes in relation to the degree of corruption? Are democracies less corrupt than authoritarian regimes? Political regimes, taken as a series of rules, establish incentives and guidelines which shape the behaviour of agents in such matters as power struggles, access to and exercise of power, and the relationship between the State and the Civil Society, all of which, depending on the direction they take, may increase or reduce the degree of corruption. To Pritzl, a current scientific analysis of corruption, its relevance and effects, may and should consider the type of political system prevailing in different countries. On analysing this subject, authoritarian and autocratic political regimes deserve special attention (2000:16). Likewise, Naim argues that “the type of political system is a determining factor in the behavior of civil servants and the transparency of business activities, specially, those of large corporations” (1995:2).

In principle, one tends to associate democracies with lower levels of corruption. Greater transparency present in democratic regimes, control of the press, separation of powers and elections, are all elements of a representative democracy, which is attached to secretism and discretionality. In democracies, rulers do not have their positions guaranteed and opponents may obtain political gains from a corruption scandal. Periodically, rulers must account for their actions before society (that is, during elections), but, equally important, they must account for their actions before other powers. According to Rose-Ackerman (1999), the desire to be re-elected constrains politicians' greed, thus keeping corruption in check. Rose-Ackerman argues that in democracies there is a "stability paradox". Politicians seek re-election, and should feel insecure about it but only to a certain degree, since an absolute certainty concerning the prospect of re-election may foster acts of corruption, whereas excessive uncertainty may eventually produce the same effects⁷.

Another relevant factor is the presence of independent media, which allows acts of corruption to be brought to light. To this we should add actions of the civil society in demand for greater transparency, all of which reduces politicians and officials' discretionality margins, thus contributing to limit the potential for corruption. Therefore, democracies could tend to create incentive structures contrary to corruption⁸.

Authoritarian regimes, on the other hand, possess characteristics which create or at least foster opportunities of corruption, such as lack of transparency, nonexistence of formal mechanisms of accountability, absence of freedom of the press, etc. Also, in authoritarian systems, the necessity to build support bases, which are given by the legitimacy of origin in democracies, may lead to sectional and short-term policies which favour corruption (Pritzl, 2000). "Non-democratic states are specially susceptible to corrupt incentives, because their

⁷ In their analysis of the relationship between the Executive and Legislative Powers in Latin American presidential regimes, Cox and Morgenstern (2001) hold that Assemblies or Congresses with lower rates of re-election show a stronger propensity for venal behaviour. The stability paradox mentioned by Rose-Ackerman allows us to understand why in those states that undergo a representativity crisis corruption levels tend to increase and not to fall when linear, simple reasoning guided by some kind of "survival instinct" would indicate that less corruption would increase the chances of survival of the disparaged political class. In such cases, however, greater uncertainty about the prospect of retaining power (or even greater uncertainty about the possibility of losing it) stimulates politicians' greed, who envisage that they will soon be deprived of a source of income. This kind of behaviour is analogous with that registered in British pubs, which, at 11 p.m., stop selling alcohol. A bell ringing ten minutes before the ban becomes effective triggers the purchase of alcoholic beverages.

⁸ According to Bardhan, "democratic institutions build mechanisms of accountability and transparency at different levels which make it difficult for the networks of corruption to be sustained for long (1997: 1330)".

rulers have the potential to organize government with few checks and balances”(Rose-Ackerman, 1999: 113).

However, it cannot be taken for granted that the mere establishment of democracy will bring about a magic reduction of corruption. The change from an authoritarian to a democratic government does not necessarily diminish bribery. Rather, it redefines country rules as regards behaviour of public officials (Rose-Ackerman, 1996: 1-2).

In fact, there are those who hold that the transition from authoritarianism to democracy even increases the level of corruption, due to underdevelopment of the new political institutions (Huntington, 1998). In this regard, Theobald (1990) states that democracies may appear to have higher levels of corruption due to the freedom of the press, which implies tolerance towards the opposition’s speech, a feature which can hardly be found in an authoritarian regime.

2.1 CORRUPTION AND STATE INTERVENTIONISM

Literature on corruption states that there are two main reasons for paying bribes: to reduce costs and to obtain favours from government (Rose-Ackerman, 1996a). From this point of view, governments are providers of goods and services, and distributors of grants. Besides, they collect taxes and are entitled to enforce the law. Public officials are in charge of distributing scarce goods such as import licences, fiscal exemptions, procurement contracts, or the acquisition of foreign currency at preferential prices, etc, for which the private sector may be willing to pay bribes. In this regard, state regulation may create opportunities for corruption⁹.

Thus, multiple exchange rates¹⁰, price controls, excessively high tariffs, bans on imports, murky systems of government purchases, are all mechanisms that stimulate

⁹ Tanzi holds that “the instruments that make corruption possible are many. Important examples include: regulations (...); fines for alleged or actual violations of existing legal norms; c) control over procurement contracts; d) control over public investment contracts (...); e) programs related to the provision of tax incentives, subsidized credit, overvalued foreign exchange; f) controls over hiring and promotions; g) controls over the assignment of entitlements and other benefits (...); controls over access to underpriced public services (...); tax administration decisions, etc.” (1994: 11). Obviously, this list could be enlarged.

¹⁰ In fact, one of the worst corruption scandals in Latin America , the RECADI case (Régimen de Cambio Diferencial: Differential Exchange Regime) in Venezuela, which even involved former president Jaime Lusinchi and his lover, concerned a multiple exchange rate system.

corruption. This has led certain authors to consider state intervention in the economy to be one of the main causes of corruption. “Corruption is encouraged not only by the importance of government as the provider of goods and services, but also as the producer of a plethora of confusing and contradictory regulations” (Abdiweli M. Ali and Hodan Said Isse, 2003: 462).

According to the public-choice school, excessive regulation allows civil servants to profit from the restrictions established by regulations (Soto, 2000). In some cases, this approach has been taken to extremes. For example, Gary Becker says that the solution to the problem of corruption lies simply in the abolition of the state (quoted in Tanzi, 1998). Along similar lines, Bardhan claims that for liberal economists “it is the regulatory state with its elaborate system of permits and licenses that spawns corruption, and different countries with different degrees of intervention of the regulatory state in the economy give rise to varying amounts of corruption” (Bardhan, 1997: 1330).

To Tanzi (1998), in the presence of a professional bureaucracy, an increase in government expenditure or in state regulations poses no risks in terms of an increase in corruption. However, in countries with no such tradition, an increase both in government expenditure and in state regulation is bound to promote corruption. From this point of view, all those measures reducing the degree of discretionality of public agents and increasing competition will be useful in reducing the potential of corruption. In this approach, those societies in which there is less state intervention in the economy will have lower levels of corruption.

5. CAUSES OF CORRUPTION: EMPIRICAL EVIDENCE

The availability of data for a large group of countries and the existence of valid and reliable corruption indicators have broadened the scope of studies on the causes of corruption, overcoming the already mentioned limitations. In this regard, studies of this kind are relatively new. Among them, it is worth mentioning those of Montinola and Jackman (2002), Ali and Said Isse (2003) or Lipset and Salman Lenz (2001), which have also been aimed at explaining the causes of corruption¹¹.

¹¹ Other studies have used corruption as independent variable to research its impact on economic growth (Mauro, 1995 and 1998) or on social inequality.

Following this line of studies, we chose to make a regression analysis using corruption as the dependent variable and the degree of democracy, state intervention in the economy, development and ethnic heterogeneity as independent variables.

In order to measure the degree of corruption we used the Corruption Perceptions Index (CPI) of Transparency International¹². This index is a survey of polls based both on public opinion polls and on expert and investors' opinions, etc. The CPI contains data for countries with at least three credible surveys of corruption. It considers corruption to be the misuse of resources or public office for private gain, and ranks countries according to a 0-to-10 scale, with 0 representing a country perceived by its citizens as absolutely corrupt and 10 a country perceived as having no corruption¹³.

The degree of democracy was measured as the average of Freedom House's Combined Index of Civil Liberties and Political Freedom. This seemed to us more convenient than using a simple classification of countries according to the type of regime (democratic or autocratic) for two main reasons: 1) a classification of that sort makes it impossible to grasp the differences existing among countries as regards quality of democracy; 2) classifying countries as democratic or autocratic is complex, since the positive connotation naturally carried by the term democracy, leads authoritarian regimes to try to disguise their condition, defining themselves as democratic in their constitutions¹⁴.

Another reason for using Freedom House's Index is the definition of democracy as polyarchy given by Dahl (1989). As is well known, the definition of democracy is still being debated –just as corruption. According to Dahl, polyarchy is defined by the presence of seven conditions:

¹² The Corruption Perceptions Index of Transparency International is not the only corruption index in existence. As we have mentioned, there are other indices such as the World Competitiveness Report, the one prepared by Business International and the one published by Political Risk Services. Unlike these indices, the CPI is readily available (data can be found at TI's website) and it includes more countries.

¹³ For further information about the methodology used in preparing the CPI, see Transparency International's website at www.transparency.org.

¹⁴ In this regard, it is worth remembering that, during the Cold War, Eastern European countries used to call themselves democratic republics.

1. Control of government decisions is given by the constitution to officials elected by vote.

2. Officials are elected and removed peacefully through periodic, fair and free elections, in which coercion is restricted

3. Virtually all adults are entitled to vote in these elections.

4. Most adults are also entitled to run for public office in the elections.

5. Citizens effectively enjoy their freedom of speech, particularly the right to express their political ideas, including criticism of public officials, government behaviour, the prevailing social and political system, and the dominant ideology.

6. Citizens have access to alternative sources of information which are not monopolized by the government nor by any other group.

7. Citizens enjoy the actual right to form and join autonomous associations such as political parties or interest groups which attempt to influence government actions, whether as contenders in elections or through other pacific means.

Dahl's polyarchy is a kind of Weberian-style ideal type, in the sense that it captures the specific features of a modern representative democracy. Clearly, countries comply to a greater or lesser extent with the conditions indicated by Dahl. Freedom House's Combined Index matches Dahl's definition to a great extent. Both indices, the Index of Political Freedom and the Civil Liberties Index rank countries according to a 1-to-7 scale, with 1 representing an absolutely free country and 7 a country which is not free, and their information is taken from the Annual Survey of Political Rights and Civil Liberties.

The Political Rights Survey includes the following questions:

1) Are the head or heads of State legislative representatives elected through fair and free elections? 2) Are citizens entitled to form political parties or other competitive organizations? 3) Is there a significant number of opposing votes or any realistic opportunity for the opposition to increase their base? Meanwhile, the civil liberties index is based on several assessments of freedom and independence of the media, freedom of expression, of meeting, equality before the law, access to justice and protection against state terrorism

(Lipset and Salman Lenz, 2001). As can be observed, the combined index captures both the liberal and the democratic sides of polyarchy and makes it possible to observe differences as regards quality of democracy in several countries.

In order to measure the degree of state intervention in the economy we chose to use the Index of Economic Freedom, which has been prepared by Heritage Foundation since 1995. In this index, economic freedom is defined as “the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself” (Beach and Driscoll, 2003: 2).

The Index of Economic Freedom assigns countries scores which go from 1 to 5. “A score of 1 signifies an institutional or consistent set of policies that are most conducive to economic freedom, while a score of 5 signifies a set of policies that are least conducive” (Beach and Driscoll, 2003: 4).

To assess economic freedom, the index analyses 50 variables which fall into 10 categories: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation and black market activity (Beach and Driscoll, 2003)¹⁵.

The degree of development was measured by means of the per capita GDP natural logarithm value adjusted for purchasing power parity. Data was collected in 2000 and was obtained from the Human Development Report published by the UNDP in 2003.

In order to measure ethnic heterogeneity we used Hudson and Davies’ Ethno linguistic Fractionalisation Index (ELF). This index ranks countries according to a 0-to-1 scale, and measures the probability that two individuals taken at random belong to different ethnic groups¹⁶. This measure has been previously used in other studies of corruption, such as Mauro (1995) and Easterly and Levine (1997). Data for the sample was taken from Roeder (2001), who calculated the value of the 1985 index, updating the original information, which was from 1960.

¹⁵ For further information about the preparation of the Index of Economic Freedom, see Beach and Driscoll (2003), available at www.heritage.org.

¹⁶ For further details about this index, see Roeder (2001) and Easterly and Levine (1997).

In the case of the CPI, Freedom House’s Combined Index (that is, the average between the Index of Political Freedom and the Civil Liberties Index) and the Heritage Foundation Economic Freedom Index, we took into account the average values for the 1998-2002 period. The choice of this period was not arbitrary, it was due to several reasons: 1) to have the largest possible number of cases. CPI began to be made in 1995 and has been published on a yearly-basis ever since. In the last few years, the number of countries included in the index has increased significantly. 2) to have the latest information. Studies by Montinola and Jackman, for example, are based on data from the 70s and late 80s. From then onwards, there have been considerable changes such as the demise of the Soviet Union, the implementation of pro-market reforms in Latin America, the democratisation of Eastern European countries, etc. 3) to rebut similar studies such as the already mentioned ones by Montinola and Jackman, Lipset and Salman Lenz, etc.

The sample comprised countries which appeared at least once in the CPI between the years 1998 and 2002, that is, those countries with at least one score in the CPI for those years. We thus obtained information for 107 States. Statistics for the variables introduced are reported in the appendix.

Table 1 contains a matrix of bivariate correlations of all variables included in model 1. We can observe that there is a strong correlation between the variables corruption, democracy, development and economic freedom. These figures reveal that, as suggested by the theory that developed countries are less corrupt, in these countries democracies are of higher quality and the state plays a minor role in the economy. All coefficients are significant. The correlation between the Corruption Index and the Ethno linguistic Fractionalisation Index is negative, as expected. Nonetheless, the coefficient is quite weak.

Table 1. Matrix of Correlations

	<i>CPI</i>	<i>Democracy</i>	<i>ELF</i>	<i>Economic Freedom</i>	<i>Log GDP</i>
<i>CPI</i>	1	-0.658**	-0.285**	-0.69**	-0.806**
<i>Democracy</i>	-0.658**	1	0.31**	0.697**	-0.685**
<i>ELF</i>	-0.285**	0.31**	1	0.245*	-0.472**
<i>Economic Freedom</i>	-0.69**	0.697**	0.245*	1	-0.695**
<i>Log GDP</i>	0.806**	-0.685**	-0.472**	-0.695**	1

** p < 0.05; * p < 0.1

Since this paper attempts to go beyond mere descriptions and aims at explaining the causes of corruption, we decided to run a regression with Transparency International’s

Corruption Perceptions Index as dependent variable and Freedom House’s combined index, Heritage Foundation Index of Economic Freedom, the per capita GDP natural logarithm adjusted for PPP and Hudson and Davies’ Ethno linguistic Fractionalisation index (ELF) as independent variables. The multiple regression technique allows us to quantify the effect of each independent variable *ceteris paribus*.

Table 2. Model 1

<i>Independent Variables</i>	<i>Coefficients b</i>
Freedom House	-0.155 (0.116)
Heritage Foundation	-0.637 ** (0.291)
LogGDP	1.358 ** (0.187)
ELF	0.928 * (0.516)
Constant	-5.411 ** (2.275)
Adjusted R2	0.686

** p < 0.05

* p < 0.1

Standard Errors in brackets

Data from table 2 shows that model 1 has a high explanatory power. The variable with highest explanatory power is clearly degree of development. The growth in the per capita GDP improves substantially the score of a country in the corruption index. Unexpectedly, greater ethnic heterogeneity does not cause an increase in corruption but just the opposite, which contradicts theory to a great extent. Meanwhile, and in the direction of what was supposed to be an improvement in the Freedom House and Economic Freedom indices, [we can observe a lower level of corruption](#). The lower the score of a State in both indices (that is, to what extent their policies are more democratic and more pro-market) the better its score in the corruption index. In the case of the Index of Economic Freedom, a decrease in the score by one point, that is, an improvement, produces an increase by just over half a point in the corruption index, that is, a fall in the perceived level of corruption.

The lack of statistical significance of the coefficient of the variable democracy is not an atypical phenomenon in this kind of studies. Indeed, it has been reported in other works (Lipset and Salman Lenz, 2001; Johnston, 1996). It is frequently observed that at a bivariate level the degree of democracy is a factor which is highly explanatory for the level of corruption. Nevertheless, after introducing control variables, such as the per capita GDP, the

coefficient of democracy becomes statistically nonsignificant. This may well be attributed to the high correlation that exists between development and democracy, that is, countries which are more democratic are often highly developed (Johnston, 1996; Lipset, 1960).

Model 2 (see Table 2) is a slight variation of model 1. The per capita GDP natural logarithm is replaced as development variable by the Human Development Index prepared by the United Nations Development Programme. The Human Development Index is a composite index which measures the average achievements of a country in three main respects: longevity, knowledge and a decent standard of living. Longevity is measured through life expectancy at birth; knowledge is measured by combining enrolment rates at the primary, secondary and university levels of education; whereas the standard of living is measured by using the per capita GDP adjusted for purchasing power parity (PPP) (PNUD, 2003)¹⁷.

Table 3. Model 2

<i>Independent Variables</i>	<i>Coefficients b</i>
Democracy	-0.318** (0.131)
Economic Freedom	-1.11** (0.329)
HDR	5.012** (1.351)
ELF	0.425 (0.612)
Constant	4.777 (1.722)
Adjusted R2	0.581

** p < 0.05

* p < 0.1

Standard Errors in brackets

The explanatory power of model 2 is not as high as that of model 1. This may be attributed to the fact that in model 2 the influence of the per capita GDP is attenuated by the presence of other components of the Human Development Index. On the other hand, Table 2 shows that the substitution of GDP natural logarithm for the Human Development Index alters the statistical significance of the other variables. The Ethno linguistic Fractionalisation Index retains a positive slope (against theoretical expectations) but becomes nonsignificant. Instead, the variable Democracy exercises a greater impact on the dependent variable and its

¹⁷ For further information on how the Human Development Index is built, see the World Development Report 2003, available at United Nations Development Programme's website www.undp.org.

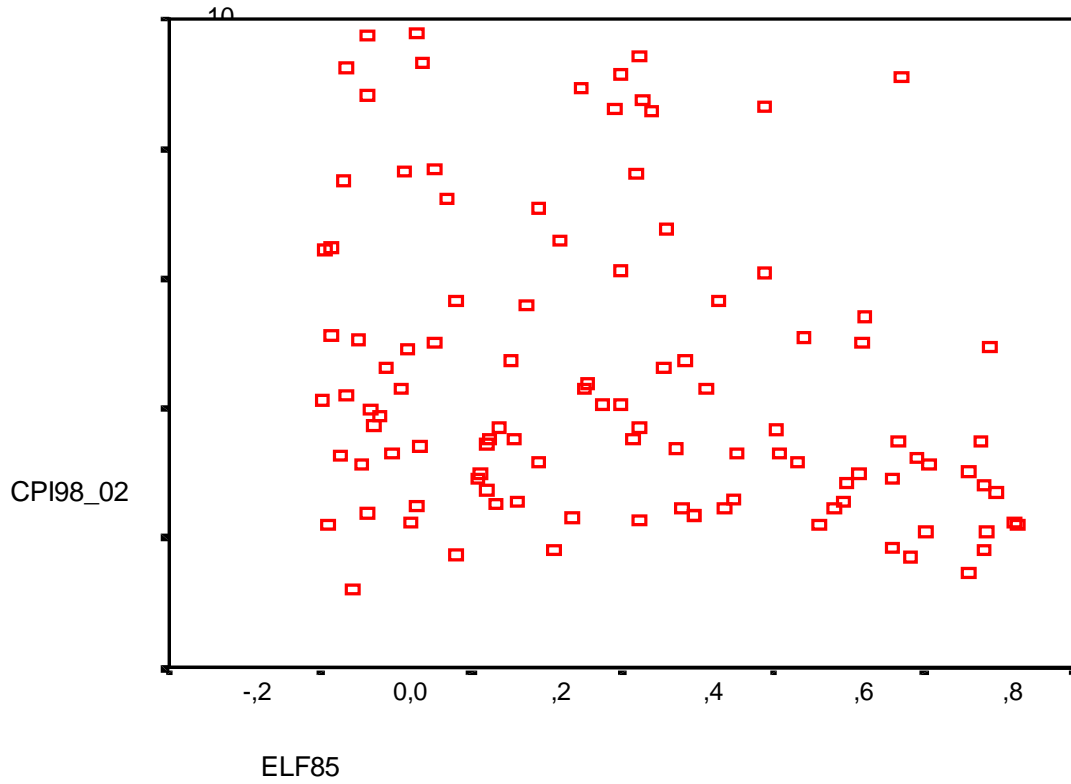
coefficient is significant. On the other hand, the Economic Freedom coefficient shows an increase as compared with model 1. The Human Development Index shows, as expected, a strong influence over the level of corruption. A greater degree of human development accounts for lower levels of corruption. In short, models 1 and 2 show that a higher degree of development and less state intervention in the economy improve the score of a State in the Corruption Perceptions Index. A higher degree of development discourages corruption, since a higher degree of development will lead to a stronger probability of public officials getting closer to the Weberian-style ideal type of bureaucracy, that is, there will be an increase in the possibility that a State have professional, stable and well-paid civil servants, all of which, in turn, will result in lower corruption. At the same time, excessive state regulation creates favourable conditions for corruption, since it increases public officials' authority in distributing public resources.

As regards the Ethno linguistic Fractionalisation Index and Democracy, results fail to show conclusive evidence. On the one hand, the positive sign of the ELF coefficient in both models is inconsistent with theoretical expectations. In addition, the coefficient is nonsignificant in model 2. On the other hand, Freedom House's Index has the expected direction in both models, but it is non significant in model 1. Given the goodness of adjustment of model 1 as compared with model 2, we chose to continue the analysis using the former.

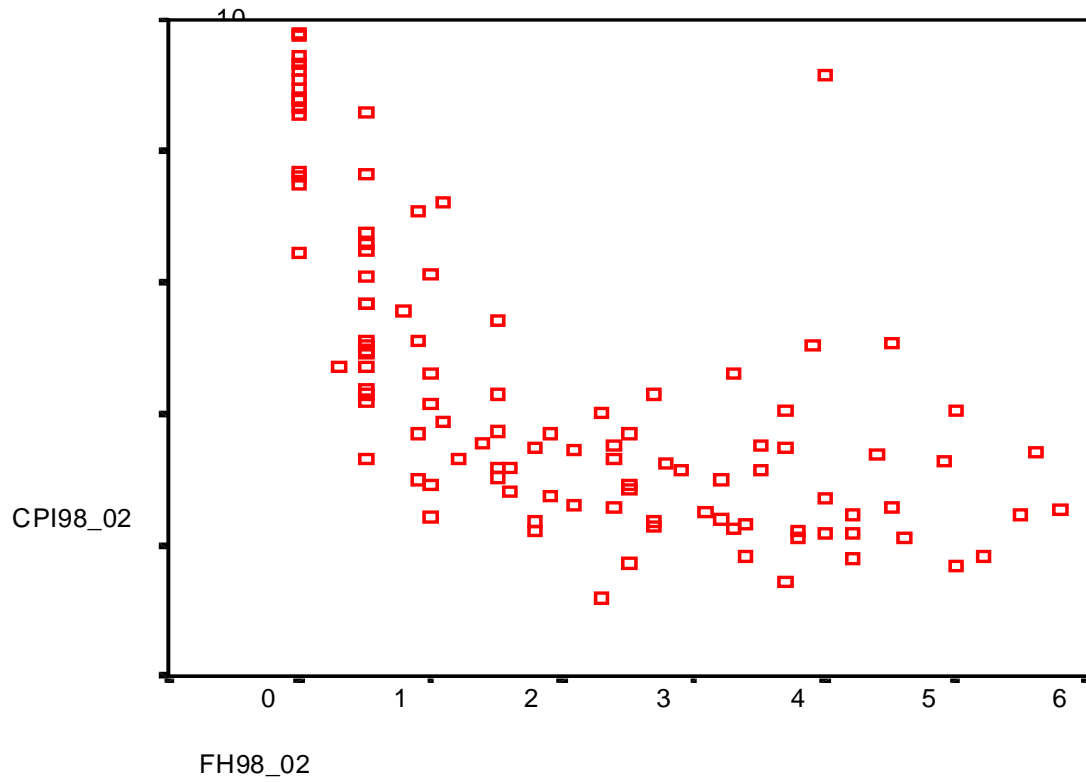
On reviewing the dispersion graphs that show the relationship between ELF and the Corruption index, and between Freedom House's Index and the Corruption Index, we observe that: 1) there seems to be no definite relationship between ethnic fractionalization and corruption, and this could explain why the coefficient corresponding to that variable does not assume the expected relation (see graph 1); 2) the relationship between democracy and corruption (graph 2) is not linear. Instead, it can be seen that for the lowest scores in Freedom House's combined index the relationship is linear. This means that for countries which are more democratic an improvement in Freedom House's Index causes an improvement in Transparency International's corruption ranking. However, at or about the moment we cross the 3-point frontier in Freedom House's index, the relationship stops being linear and we observe that, in fact, there are countries which are not so democratic but still have better scores as regards corruption (of course, we are not referring to Singapore, which appears in the top right hand corner of the graph). This means, for scores slightly over 3, that more democracy does not necessarily discourage corruption, and there may be countries which are

less democratic or even authoritarian (in Freedom House's ranking those countries whose scores are over 5 points are considered "not free", a category we could identify with authoritarianism) with better scores in the corruption index.

Graph 1. Ethnic Fractionalisation and Corruption



Graph 2. Democracy and Corruption



The fact that the relationship between democracy and corruption is not linear has been observed by Montinola and Jackman (2002) in their study of the causes of corruption. This work spans two periods which correspond to the early and late 80s. For his part, Johnston (2000), in his analysis of the relationship between political competition and corruption, remarks that both variables are not likely to show a linear relationship. This could influence the regression coefficient of the variable democracy in model 1. Consequently, after observing the characteristics of the relationship between democracy and corruption, we decided to estimate model 1 with the variable democracy represented by polynomial function of the second degree. This entails creating a new variable which arises from squaring the values of Freedom House's Index for the period 1998-2002. To avoid perfect co linearity between the variable Democracy (the variable originally included in Model 1) and the variable Democracy 2 (Freedom House squared), we have centered the values of the variable Democracy around its average and then we squared the values¹⁸.

Table 4. Model 3

<i>Independent Variables</i>	<i>Coefficients b</i>
Democracy	-0.518** (0.133)
Democracy 2	0.248** (0.055)
Economic Freedom	-.753** (0.268)
Log GDP	0.923** (0.196)
ELF	0.808* (0.473)
Constant	-0.806 (2.321)
Adjusted R2	0.736

** p < 0.05

* p < 0.1

Standard Errors in brackets

The introduction of variable Democracy 2 improves the explanatory power of the model, which can be seen in the growth of the value of R squared adjusted in respect of model 1 (see Table 2). At the same time, it also modifies the remaining estimators. The index of economic freedom shows a slight growth in relation to model 1, whereas the degree of

¹⁸ For this transformation, we used the same method as Montinola and Jackman. For further information on the question of co linearity in polynomial regressions, see Bradley and Shrivastava (1979).

development continues to be the variable that most influences the degree of corruption, though with a slightly lower coefficient. As regards ethnic fractionalisation, it is still a strong predictor of corruption levels, though not in the expected direction.

We then observed that the effect of democracy on corruption is not linear. There may be different reasons for this. The establishment of democracy does not necessarily reduce corruption because just as it creates mechanisms that discourage corruption, it also generates opportunities for it to take place and new agents likely to become involved in potential corruption acts (legislatures, for example). For instance, campaigns to finance political parties, which are increasingly complex and sophisticated, and therefore more costly, are a usual source of large corruption scandals (Weyland, 1998; Pritzl, 2000; Theobald, 1990). Democratic practices which inhibit corruption take time to become institutionalised. Democracy has mechanisms to keep corruption in check, but these, just as antibodies, take time to develop and work effectively, whereas opportunities for corruption appear from the very first moment¹⁹. In this regard, it is worth taking into account that there are no magic solutions for corruption, and certainly democratisation alone does not carry in itself a cure for this scourge. Johnston has rightly pointed out that: “Democratization in places as diverse as Central Europe and Philippines did not directly reduce corruption; if anything, those nations experienced a surge of scandal as established corrupt relationships gave way to a fragmented scramble for spoils” (Johnston, 2000: 4).

A second factor which helps to explain the non-linear character of the relationship is the way in which the corruption index is built. The index is based on perceptions of the public and, by virtue of this, greater freedom of the press may generate the image of greater corruption (Theobald, 1990; Montinola and Jackman, 2002) as opposed to authoritarian regimes, in which, regardless of the existing level of corruption, the press does not have the same freedom, neither to investigate nor to denounce corruption acts.

In the theoretical review we have quoted certain authors who assign a leading role to culture when explaining why some societies are more corrupt than others. Frequent corruption scandals which take place in Africa or Latin America have given cause for thinking that there

¹⁹ A similar reasoning may be found in Montinola and Jackman (2002), who say: “The transition from non-democracies to only partially competitive democracies may generate a little more corruption, and that the pronounced corruption inhibiting political competitiveness and transparency generated by democracy comes into play beyond this point as democracies become fully competitive (Montinola y Jackman, 2002: 8).

are certain cultural features in those societies which tend to stimulate corruption (Maingot, 1994; Theobald, 1990). The example of tips or gifts being given to public officials, considered as legitimate behaviour by certain cultures has been quoted too often to be the base of this theoretical approach. Tanzi (1994) says, for example, that the arm's length principle²⁰, one of the pillars of the operation of modern bureaucracy, is considered strange or even immoral in certain cultures. It has also been argued that the fact that such terms as accountability or enforcement have no equivalent in Spanish is not a casual phenomenon. At the same time, the influence of a British or Spanish colonial past and the different impact of Catholicism and Protestantism have also been noted (Lipset and Salman Lenz, 2001). In order to measure the strength of model 3 and to verify these theoretical arguments, by trying to show the effects of geographical cultural factors on the degree of corruption, in model four we introduced 5 dummy variables for the following groups of countries: Latin America and the Caribbean, Sub-Saharan Africa, North Africa and Middle East and Asia. The reference group could be called Industrialised West. This group was not formed following a geographical criterion, since it included countries from different regions, like the United States, Australia or Western European countries. Instead, the criterion applied to form this last group was whether or not they adhere to "western" values.

²⁰ According to the arm's length principle neither friendship nor blood bonds should influence economic decisions taken by private agents and public officials (Tanzi, 1996).

Table 5. Model 4

<i>Independent Variables</i>	<i>Coefficients b</i>
Democracy	-0.275** (0.54)
Democracy 2	0.115** (0.054)
Economic Freedom	-0.625** (0.251)
Log GDP	0.89** (0.2)
ELF	-0.226 (0.476)
Latin America and the Caribbean	-1.848** (0.444)
North Africa and Middle East	-0.962 (0.630)
Asia	-1.409** (0.448)
Eastern Europe and former Soviet Republics	-1.914** (0.404)
Sub-Saharan Africa	-0.547 (0.543)
Constant	0.25 (2.359)
Adjusted R2	0.803

** p < 0.05

* p < 0.1

Standard Errors in brackets

The introduction of the geographical cultural dummy variables increases the explanatory power of model four as compared with model three. The variables democracy, economic freedom and development behave in the expected way and are significant. The coefficient of the ethnic variable loses statistical significance and changes its sign. In at least three cases the geographical cultural context plays an important role in the levels of corruption. Indeed, in those cases in which the geographical cultural variable is statistically significant, it is also the variable with the highest predictive power.

The coefficients of the variables corresponding to Sub-Saharan Africa and North Asia/Middle East are not significant. Nevertheless, the coefficients of the variables corresponding to Latin America and the Caribbean, Asia and former Soviet Republics / Eastern European Countries are not only statistically significant but also behave as expected. Belonging to Latin American and Caribbean countries or to former Communist countries decreases by almost two points the score in the CPI, that is, it provokes a strong increase in corruption. In the case of Asian countries, belonging to this group leads to a fall by one point and a half in the CPI.

How should this be construed? Are the countries included in these groups “naturally” corrupt, as has often been construed? Not necessarily. Certainly, there may be elements in the Asian culture or in the Spanish colonial heritage which encourage corruption. However, these arguments fail to explain why during certain periods corruption is more pressing than in others or why some countries sharing the same cultural matrix are able to overcome the scourge of corruption. At the same time, culturalist explanations often lead to deterministic diagnoses which are of little help to solve the problem of corruption.

Regardless of the impression left by the cultural matrix in these countries, it is worth exploring other possible interpretations which may provide solutions to this problem. First of all, it is important to highlight the importance of institutional path dependence. In all cases (Latin America and the Caribbean, former Communist Countries and Asia) we are dealing with countries where democratic institutions have been in force for a short time or intermittently, alternating with dictatorships and with weak or, at best, emerging civil societies. Secondly, in Latin America and former Communist Countries, there has been a double transition in too much of a short time: from authoritarianism to democracy and from excessively regulated economies to market economies. This fact poses a paradox: both democracy and economic freedom are conceived as corruption-reducing mechanisms, and yet countries that have implemented policies in that direction seem to be more corrupt. Does this contradict theory? Not necessarily. Firstly, it has been already argued that democratisation is not a magic formula when fighting corruption and that in some cases there may even be an increase in the actual level of corruption or in the perception of corruption. On the other hand, and in connection with market-oriented structural reforms, it is worth mentioning that literature on said reforms claims that they entail a high degree of centralisation of power in the state. This phenomenon is known as the “orthodox paradox”: state deregulation requires a simultaneous centralisation of power in the state, so that reform policies may be implemented, overcoming obstacles presented by opposing groups (Remmer, 1998). At the same time, some authors have warned that a free market is not necessarily the cure for corruption. Fast economic liberalisation unaccompanied by a parallel state reform also spawns corruption, since officials may feel tempted to take part in the new affluence of the private sector (Rose-Ackerman, 1996b).

This seems to be the case both in Latin American and former Communist Countries, where market reforms were implemented amid institutional fragility or at least in the presence of barely consolidated democratic institutions, thus favouring opportunities for corruption and

destroying the advantages that, in theory, should result from less state regulation and greater participation in decision-making processes.

6. DUALITIES

Within the framework of this research, we have structured four dualities or axes across sub-researches of the different lines of work. The outcome of this work allows us to make a contribution to these dilemmas from the systemic point of view.

Efficacy-Honesty: the information we have compiled allows us to hold that there is no contradiction between efficacy and honesty, in the sense that there are no countries with a high level of corruption and a high degree of development. That is, honesty should not be sacrificed for the sake of development. Likewise, studies such as that of Paolo Mauro show just the opposite: lack of honesty affects growth rates negatively. That is to say, efficacy and honesty, at least at country level, go hand in hand.

Reliability-Unreliability and Rules-Rejection of Rules: these two dilemmas have to do with institutions and that is the reason why we analyse them together. On the one hand, we observe that excessive regulation or “regulatory inflation” increases corruption, as shown by the fact that Economic Freedom, controlled by other variables, reduces corruption. On the other hand, according to theory and empirical evidence, a proper institutional environment is a fundamental element in diminishing corruption. A reduction in corruption requires clear, simple rules with a high degree of enforcement. Problems faced by transition democracies are indeed problems related to the rejection of rules. These fail to reflect the reality of the political process: “the law is observed, but not complied with”. Institutions are not mediators in the political process. The validity of institutions, in turn, has to do with reliability. Durkheim, among other classic authors, showed that contracts were a fundamental element in modern society. Institutions indeed have to do with reliability. If institutions are weak, the social fabric becomes weaker, together with reliability.

Individualism-Statism: this dilemma is clearly linked to the idea of rent-seeking, that is, the exercise of pressure or influence on the State for private gain. Once again, we emphasise the institutional question. The quality of the regulation and the degree of intervention and not the State’s size (Montinola and Jackman, 2002) are good predictors of the level of corruption, as shown by the models used in these work. The above mentioned

regulatory inflation shows that within the rent-seeking framework, individualism and statism are two sides of the same coin: this is what rent-seeking is all about, that is, using the power of the state to obtain rent, using state protection for private gain. The fact that economic freedom, as we have discussed, comprises among other things, greater trade openness and less regulation, shows how rent-seeking and corruption are closely linked to each other.

7. CONCLUSIONS

Literature on corruption has dealt with several theories explaining why this phenomenon is more usual and worrisome in some societies than in others. Empirical evidence furnished by this research underlines the importance of development and political institutions in connection with the degree of corruption. Data included in this work shows, on the one hand, the strong relationship that exists between development, economic freedom, democracy and low levels of corruption. The degree of development, democracy and economic freedom help to reduce the level of corruption. Ethnic fractionalisation does not seem to have any influence on the degree of corruption. Additionally, regional variables show that countries in Latin America and the Caribbean, in Asia or former Communist Countries are more likely to have a higher degree of corruption. Although we acknowledge the relevance of the cultural matrix in these groups of countries, we believe that such factors as the fact that most of them have recently gone from authoritarianism to democracy and from highly regulated economies to market economies, help to explain said higher levels of corruption. In Asia, the reference to *crony capitalism* since the crisis in Southeast Asia, also contributes to understand higher levels of corruption. Apart from factors inherent to the cultural matrix, we also mentioned institutional path dependence in these countries, something which may well be reflected in regional differences.

Empirical evidence included in this research also shows that countries with higher degrees of development are more democratic, implement economic policies whereby the market plays a more important role and have lower levels of corruption. On analysing the causes of corruption we observed that both the degree of development and economic and political institutions play relevant roles in explaining different levels of corruption. The degree of development determines to a great extent the quality of state bureaucracy as regards recruitment conditions, professionalism, stability and pay levels, all of which are factors that, theoretically speaking, influence the degree of corruption. Evidence furnished in this research

ratifies this fact. The degree of development is a strong predictor of the level of corruption. The high correlation observed among development, democracy and economic freedom may lead us into assuming that the solution to corruption and underdevelopment is simple: it should suffice to replace authoritarianism with democracy and to implement market-oriented structural reforms.

Evidence arising from our different models indicates that the problem is far from being so simple. Indeed, information supplied by this research shows that democracy and economic freedom, as we defined them, contribute towards development and the reduction of corruption. Nonetheless, we should be cautious: democratisation as well as deregulation create opportunities which may prove to be more than counter-productive in terms of development, as evidenced by the experience of some Latin American and former Communist Countries.

This work clearly shows that democratisation may, at the beginning, generate more corruption, whether in the form of an apparent consequence of greater freedom of the press which often comes with democratisation processes, or in the form of a real increase arising from inherently democratic activities that encourage corruption (such as electoral campaigns). The relationship between democratisation and corruption is not linear, as evidenced by the statistical analysis of data. In transition democracies on the road to consolidation, which we could call electoral democracies, corruption has ample possibilities of survival, since democratic practices aimed at restraining corruption have not become consolidated yet. Having gone beyond this threshold, a process which should not be taken for granted, countries may begin to feel the benefits of democracy and there may be an actual fall in corruption.

In addition, the centralisation of power usually required by the transition from highly regulated economies (such as Latin American and Socialist ones) to market economies also generates good opportunities for corruption (for example, privatisation of utilities), mainly when such transition takes place in countries with no great tradition of participation and a weak or incipient civil society, in which accountability mechanisms are not sufficiently developed. Evidence arising from the introduction of “regional” variables in the analysis shows how accelerated transitions to market also generate higher levels of corruption, regardless of whether they have positive effects on growth rates or not.

In short, the great challenge of the fight against corruption consists in establishing an adequate institutional environment, that is, strengthening state bureaucracies, and in building economic and political institutions which ameliorate accountability and transparency in transition democracies. These processes will not be automatic, they will not result from the passing of time; rather, they require a continuous battle against the scourge of corruption.

8. LINES OF ACTION

The conclusions of the work “The causes of corruption: a comparative study” are far too general to define specific public policies. Nonetheless, such conclusions underline a series of questions on which theory has already focused, but which are empirically verified in this and other studies:

- The importance of having a professional and stable civil service, which is also well-paid, and in which admission and promotion are based on merit. Such civil servants will function as an antidote against corruption.
- Regulatory inflation, that is, excessive regulation, encourages corruption. Simpler and less cumbersome regulations reduce the opportunities of perpetrating corruption acts.

An important lesson is that, in the fight against corruption, the possibilities furnished by democratisation or by the implementation of market policies should not be overestimated. Democracy and market policies are large frameworks that may help reduce corruption, but this depends on their foundations at the micro level. That is, for example, elections per se do not seem to influence the degree of corruption, unlike other institutions such as freedom of the press, the existence of horizontal accountability mechanisms, transparency, participation of the civil society, etc.

As regards market policies, it should not be taken for granted that the remedy for regulatory inflation is the removal of the State. “Pseudo-liberalisation” policies implemented in former Communist Countries and some Latin American States seem to have been of an anti-state rather than a pro market nature, which, in turn, resulted in a paradoxical increase in corruption. After ten years of having implemented the so-called market policies, states still evidence the presence of corruption, accompanied by new forms of rentier capitalism.

At a more specific level, then, all measures which encourage accountability are advisable. Some of them are:

- Passing of laws of the kind of the United States Freedom of Information Act. This act allows each citizen to have access to the documents of any public agency. Of course, in some agencies, such as those connected with Defense, there are exceptions.
- Establishment of mechanisms which guarantee greater transparency in certain political processes, such as the appointment of certain officials, contracts for services or public supply contracts.
- Creation of transparent participation mechanisms for organizations of the civil society.
- Adherence to anti-corruption international conventions. Even though the application of these conventions may be subject to the political will of state actors, these instruments often include international monitoring mechanisms. These are useful in that they are one more tool in the hands of the civil society and in that a negative rating may prove costly as regards image before domestic and international public opinion (investors, for instance).

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www.freedomhouse.org sitio de Freedom House

www.heritage.org sitio de la Heritage Foundation

10. APPENDIX

10.1. TABLE 6. STATISTICS DESCRIBING THE VARIABLES

<i>Variables</i>	<i>Number of cases</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>	<i>Standard deviation</i>
<i>Corruption</i>	107	1.20	9.80	4.44	2.29354
<i>Democracy</i>	107	1.00	6.80	3.00	1.63636
<i>Economic Freedom</i>	107	1.47	4.47	2.91	0.66378
<i>Log GDP</i>	106	6.26	10.82	8.71	1.10726
<i>Human Development</i>	106	0.303	0.942	0.735	0.280168
<i>ELF</i>	105	0.003	0.922	0.396	0.165376

