The Institutional Components of Political Corruption

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Introduction

The misuse of public office for private or partisan gain — political corruption, in short — is as ancient as the art of politics itself. Its contemporary study began in the 1990s, with the public dissemination of various rankings on the degree of corruption in countries around the world. As the data depicted in Figure 1 suggest, the rankings document that the main correlate of corruption is economic development. Poor countries are often highly corrupt; rich countries, almost never. Studies that analyze the rankings spotlight the great theoretical puzzle of political corruption: the establishment of democratic institutions has at best a modest and perhaps even no systematic impact on a country’s cross-national corruption ranking. The coding by regime type depicted in Figure 1 shows that poor democracies are as likely to be highly corrupt as poor autocracies. Why democracy does not conclusively and significantly reduce corrupt activities by elected officials remains an ongoing topic of controversy, and the main unsolved theoretical problem associated with this topic. It is not, however, the only unsolved issue related to corruption.

Figure 1 about here

In this essay, in keeping with the purpose of the present volume, we review what we have learned in the last twenty-five years about how formal political institutions affect political corruption. We divide our remarks into three parts. First, we discuss the impact of basic political institutions in established democratic polities on corruption. We attend, in turn, to executive institutions, electoral institutions, federalism, and, finally, judicial institutions. Our discussion of institutional variation is limited to democratic polities since scholarly understanding of these institutions and how variations in them operate are confined chiefly to this regime type. We then discuss the inferential weaknesses in this line of work. The data available to measure corruption across countries does not permit research designs that allow convincing causal identification. A second section of this essay reviews the results of studies
that stand on stronger inferential ground. We divide these into two separate topics: whether and when voters punish corrupt politicians at various levels of government and how political corruption affects the performance of government bureaucracies, especially as regards service delivery. In a third and final section of this essay, we return to the question posed above and discuss possible explanations for why the establishment of democratic political institutions appears to exert so little influence on the degree of political corruption.

Our review explores three separate tensions in the institutional literature on corruption. First, there is tension between studies that use cross-national data and those using subnational data. These usually focus on different research questions, but when they study the same problem, produce divergent results. Second, reflecting a broader debate in the social sciences, there is tension between studies that use observational data, on the one hand, and studies that employ experimental or quasi-experimental research methods. Typically, the scope of the question that can be studied narrows as the research design moves from observational to experimental or quasi-experimental but the results are more believable. Third, there is a tension between institutional and non-institutional explanations of corruption.

Our own reading of the literature is that the most fruitful research in the next decade will be subnational, experimental or quasi-experimental, and non-institutional. But that, of course, remains to be seen.

Corruption in Democratic Polities

Can a change in political institutions reduce corruption? If a country in which corruption occurs at high frequency were to alter its electoral system, or the relations between the executive and legislative branches of government, would corruption fall as a consequence? These questions have fascinated political scientists and political economists in recent decades, especially because of a wave of reform to political institutions that has swept the democratic
world. Between 1975 and 2010, 87 countries modified executive-legislative relations, for instance, while 19 countries adopted modifications of their electoral systems.¹ (Among the countries, we include those that transitioned from communism to democracy in eastern Europe and the former Soviet bloc.) In some of these cases, institutional reforms were designed in part with the explicit aim of curtailing corruption. Which reforms, if any, are likely to be successful in this regard?

Separating the effects of one type of national political institutional configuration from another is difficult, in part because institutions tend to cluster together. Countries whose electoral systems use proportional representation and not single-member majority systems, also tend to have prime ministers rather than presidents head their executive branch. For purposes of this review, nonetheless, we distinguish executive, electoral, federal, and judicial institutions. We treat each in turn and review what studies have shown about the effects on corruption of each separately. This is obviously highly artificial, since the effects of one institution on corruption may well hinge on the configuration of other institutions.

Executive Institutions

The cross-national literature that has examined the impact of variations in executive institutions on corruption is divided between studies whose results support the argument that parliamentary regimes are less corrupt and those that argue precisely the reverse, namely, that presidential regimes are less corrupt. Panizza (2001) finds evidence in support of the former, showing that presidential systems tend to have lower institutional quality and speculating that under presidential regimes, there are greater incentives for rent-seeking behavior. Likewise, Gerring and Thacker (2004) and Lederman et al. (2005), in cross-national studies

¹This calculation is based on data from the Database on Political Institutions, managed by Philip Keefer (Beck et al., 2001). A change in executive-legislative relations is coded for any shift between presidential, parliamentary, or hybrid regime. A change in electoral systems is coded for any shift from PR to plurality or vice-versa.
using twenty years of data, corroborate that presidential regimes exhibit more corruption than parliamentary systems. This is consistent as well with cross-national work by Kunicová and Rose-Ackerman (2005). The causal mechanism proposed for this pattern is that parliamentary systems — and in particular, the British ‘Westminster’ system of parliamentary government — make it easy for voters to identify who is responsible for policy outcomes without having to sort through the overlapping jurisdictional problems of presidential systems. Further, according to (Gerring and Thacker, 2004, p. 315), “basic-level institutions that foster strong parties and effective governments, such as unitarism and parliamentarism, also help promote lower levels of political corruption.”

These results are, however, contravened by those reported by Persson and Tabellini (2003) and Persson et al. (2003), who contend that parliamentary systems are more corrupt than presidential regimes. The latter stream of work contends that presidential systems provide more accountability given the executive’s reliance on popular support, thus allowing for the punishment of corrupt politicians. In parliamentary systems, on the other hand, the executive is only indirectly appointed through national elections, weakening the accountability link between voters and the office of the prime minister. Persson and Tabellini (2003) also advance that the lack of strong checks and balances between legislative and executive branches in parliamentary regimes can further weaken political accountability and thereby present opportunities for increased corruption. This remains a lively and unresolved debate.

**Electoral Institutions**

Like studies of executive institutions, the literature on the effects of electoral systems on corruption is divided. The first studies to investigate how electoral systems affected corruption argued that proportional representation was associated with more corruption than plurality electoral systems (Persson and Tabellini, 2003). Along similar lines, Kunicová and Rose-Ackerman (2005) report higher corruption under closed-list than open-list PR, particularly
in presidential systems. Their argument is that closed party lists provide disincentives for incumbents to perform well in office given their reduced visibility to voters. Using subnational surveys on public officials conducted in Bolivia, Brazil, and Chile, Gingerich (2013) also provides evidence of higher corruption levels in closed-list than open-list PR systems, attributing this finding to their party-centric design, which encourages corruption in campaign and party financing.

These results are in contrast with theory developed in Carey and Shugart (1995), which argues that there will be a greater tendency for rent-seeking behavior in open-list systems where incumbents need to develop personal relationships with voters in order to win reelection than in their closed-list counterparts. This is corroborated empirically, especially when district magnitudes are large, in Chang and Golden (2007). The latter study, like all those referenced above, uses cross-national data, but it also adds a subnational component.

Further complicating the picture, Lederman et al. (2005) find no difference in levels of corruption between closed and open-list electoral systems once presidential, political stability, and press freedom are included in regression covariates. The best we can conclude from this ongoing debate is that cross-national results are not stable with changes in countries and years sampled or according to which other variables are included in the models.

Looking at more fine-grained measures of electoral institutions, James Alt and David Lassen (Alt and Lassen, 2003, 2008) analyze the institutional determinants of corruption across 45 states in the U.S. Among the leading causes of corruption in the U.S. are the presence of closed primaries, campaign spending restrictions, and the absence of direct voter initiatives, which can “increase the scope for political accountability by unbundling the voting decision” (Alt and Lassen, 2003, p. 355). Interestingly, term limits do not seem to have an effect on corruption, in contrast to results reported in other work (e.g. Besley (2006). The studies that use cross-state U.S. data have strong internal validity in part because of the ability to hold macro-political factors fixed when considering sub-national data. However,
the findings are difficult to generalize given the many unique institutional aspects, such as the electoral college, the primary system, weak executive veto powers, and the exclusive use of single-member districts, of the U.S. among other presidential systems.

Federal Institutions

Can federalism be regarded as an anti-corruption institutional framework? The federal as opposed to the unitary structure does provide additional checks and balances that could make it more difficult for corrupt actors to operate freely. Indeed, Weingast (1995) and Rose-Ackerman (1994) argue that federalism promotes local competition among law enforcement and oversight agencies, resulting in a more efficient and less corrupt political market. However, early empirical work on the consequences of federalism found the opposite effect. The first cross-national study to analyze the relationship between federalism and corruption is by Treisman (2000), who shows that federal countries experience higher levels of corruption than unitary countries. Gerring and Thacker (2004) and Goldsmith (1999) corroborate these results, finding that unitary systems foster lower levels of corruption due to the lack of veto points and the hierarchical framework of political institutions. Yet, more recent work by Treisman (2007) finds that the relationship between federalism and high corruption disappears when using updated corruption data. As Treisman (2007, p. 235) writes, “Federalism’s strong significance in regressions using TI’s 1996 and 1997 data probably reflected the limited number of countries available for those years.” In short, it is still unclear whether territorial sovereignty has an impact on corruption. While federalism is expected in theory to reduce corruption by increasing political competition and accountability, the empirical evidence from cross-national studies remains ambiguous.

Closely related is the study of political decentralization on corruption. While not formally classified as federal, countries with fiscal autonomy granted to subnational units are theorized to have more corruption at local levels. This follows from the logic that local autonomy in
public service provision may lead to capture by local elites (Fisman and Gatti, 2002). Using a formal model of capture in the delivery of service provisions, Bardhan and Mookherjee (2000) shows that decentralization can lead to more corruption when compared to centralization. Importantly, the latter study also shows that decentralization is not necessarily corruption-promoting: local capture can be reduced by adopting institutional constraints on the revenue-raising capabilities of local governments through “user-fees” financing mechanisms.

Subnational research on federalism and corruption reveals interesting complexities. In another study, Bardhan and Mookherjee (2006) collected extensive original data to investigate transfers at multiple substate levels in one Indian state over two decades. They report that once government allocations reach villages, they are distributed as intended but that prior distributions to villages are characterized by inequitable elite capture. Although their concept of capture is looser than that of corruption, a clear implication of their argument is that corruption within federal systems will be greater when the actors involved in decision making are more restricted in number and when the decisions are less subject to public scrutiny. Perhaps more importantly, their work suggest that subtle and local decisions about how multi-tiered government institutions actually operate in practice affect their vulnerability to corruption. If this is correct, it helps explain the absence of consistent results in cross-national studies that attempt to ascertain whether federal or unitary systems are in general more corrupt. Bardhan and Mookerjee’s work suggests that it depends on fine-grained details of how institutions operate rather than on formal institutional structures.

**Judicial Institutions**

While no one doubts that the rule of law is essential to clean and honest government, the problem in assessing the role of the judiciary in particular is largely one of measurement. Thus far, there are no measures for the independence and integrity of judicial institutions that are at once valid and clearly distinct from the outcomes that mark corruption in the
first place. Some have argued that specific legal traditions affect corruption differently, and that continental legal systems, which are heavily prosecutorial and lack strong protections of the accused, are less effective in curbing corruption than the Anglo or German legal tradition (La Porta et al., 1997; La Porta et al., 1999; Treisman, 2000). The results of these cross-national analyses are fragile, however, and because the legal institutions of many countries are difficult to classify and sometimes overlap (Keefer, 2007; Gourevitch, 2008), the sample of countries included tends to be restricted.

Splitting judicial independence into cases of *de jure* and *de facto* independence from other branches of government, van Aaken et al. (2010) provides cross-national evidence that an independent judiciary reduces corruption, but only when there is prosecutorial independence both in practice and in law. Maria Popova finds the opposite pattern using subnational data from Ukraine and Russia (Popova, 2010) and Bulgaria (Popova, 2012). Here, judicial independence does not reduce corruption, and in contexts of intense political competition (as is the case often in new or transition democracies) judicial independence appears to increase political corruption. The discrepancy in findings could be due in part to what Julio Rios Figueroa argues is the “u-shaped” relationship between judicial independence and corruption. When judiciaries are dependent on the current government, corruption is likely because executive and legislative behavior remains largely unchecked; when judges are independent, corruption could also emerge because independent judges may demand bribes for their verdicts (Figueroa, 2012). The so-called “sweet spot” is found in contexts where there is both some level of dependence and independence under an institutional system with broader checks and balances.

A unique assessment of the importance of judicial institutions in reining in corruption is McMillan and Zoido (2004), which analyzes the amounts paid by Peru’s Fujimoro government to various non-governmental actors to induce them to refrain from exposing or prosecuting corruption. Using the meticulous records kept by the office of the President of amounts
paid in bribes, McMillan and Zoido document that the government paid larger bribes to
The authors interpret this as evidence that the government considered the press the main threat to its chronic illegal activities and as more important in this regard than the judiciary. Although restricted to a single country, the McMillan and Zoido (2004) study suggests that a free and aggressive press is likely to inhibit corruption more than an independent and active judiciary, although both are important.

Summary

Why do we find so many conflicting results across studies on the impact of basic political institutions on corruption? The only agreement in the literature is that freedom of the press — which we have not included in our review of formal political institutions — by exposing corruption, helps reduce it. There are two sets of reasons for the inconclusive results.

First, there is an inherently limited number of cases to consider: namely, the world’s established and consolidated democratic countries, which currently number about one hundred. The estimation complexities of identifying the impact of a single institutional change in highly complex institutional, cultural and geographic contexts are effectively overwhelming. Often, multiple changes occur simultaneously; or institutional change is endogenous to changes in public opinion, making it impossible to isolate the impact of the former; or a similar institutional change sweeps across many of the countries on a single continent in a short period of time. Identifying the effect of a single institution on corruption proves difficult because of the impossibility of holding everything else constant. As a result, whatever the cross-national effects of institutions that identify are not estimated with enough precision to allow us to be confident that the impact is genuine.

A related reason for the inconclusive results in this domain of inquiry lies with the likely size of the effect we are trying to estimate. Overall, the magnitude of the effects of institutions on corruption is relatively small. Mainly, as we noted at the outset of this
essay, economic development reduces corruption. When considering institutional variation, we are thus dealing with small magnitudes that cannot be precisely estimated. As a result, studies that utilize cross-national data to investigate the impact of institutional variations on corruption remain inconclusive and contested. Subnational studies, such as those that analyze institutional variations across the United States, lack external validity to make broader claims about institutional determinants of corruption.

**Inference and Research Design**

A deeper but not unrelated issue is highlighted by what has come to called the credibility revolution in the empirical social sciences (Angrist and Pischke, 2010). Small effects and imprecise estimates aside, the research designs used in the cross-sectional studies that we have referenced in the preceding section are not suitable to making causal inferences. This is because, to crib (Angrist and Pischke, 2010, p. 8), “they fail to isolate a source of variation in execution rates [political institutions] that is likely to reveal causal effects on homicide [corruption] rates.” More and more, scientific studies are shifting to the use of random assignment or to natural or quasi-experimental research designs in order to make valid causal statements.

Before we turn to examining some of these studies, we review more thoroughly the data used to study corruption on a cross-national basis. This sheds light on why it precludes the use of design-based inference.

Today’s research into corruption was initiated by economists. They were chiefly interested in whether and to what extent corruption reduces economic growth (Mauro, 1995). This concern was a direct result of the new institutional economics, inspired by the work of Ronald Coase, Douglass North, and others. The new institutional economics focused attention on how formal (and informal) political institutions affected entrepreneurship and economic growth. An interest in corruption, as well as related topics such as the rule of law, naturally
The data first used to study corruption was proprietary, available for purchase from Political Risk Services, which since 1980 has produced the International Country Risk Guide (ICRG) for (currently) 140 nations. In 1995, a new international NGO, Transparency International (TI), launched its Corruption Perceptions Index (CPI), which in 2013 ranked 177 countries on the basis of results from multiple surveys, mainly of experts and international businesspersons. The aim of TI was to improve governance, and the organization’s annual ranking of countries according to the degree of corruption was placed in the public domain as part of an effort to focus international attention on corruption. Finally, starting in 1996, the World Bank (WB) has provided a bi-annual modified CPI index, often referred to as KKZ, after its original authors, Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobatón. The KKZ index weights country scores by the variability of the underlying surveys, but draws on essentially the same surveys as the CPI. The Bank’s intention was to weight survey results by how much they corresponded to results from other surveys.

All these indices produce similar results and, as we discuss momentarily, suffer similar flaws. The correlation coefficient between the WB indicator for corruption and the CPI index is 0.99 for 2012, for instance. The exact reasons for the strong relationships across data sources are difficult to pin down. The methodology used for assembling the surveys that TI uses has never been made fully public. This means that analysts are not able to examine whether changing the methods used alters the rankings. In addition, the underlying surveys change from year to year in various ways. This renders temporal analysis invalid, thereby precluding the use of differences-in-differences estimates that would generate causally valid estimates of the impact of changes in institutions on changes in the frequency of corruption. This is the main reason that the cross-national survey measures of corruption that are available are not susceptible to design-based causal research. Finally, all the indices reflect sample bias in favor of business-oriented perceptions (Arndt and Oman, 2006). Whether the
indices capture the frequency of corrupt transactions that ordinary citizens, especially poor people, are embroiled in remains an open question. Citizen surveys tend to generate rather different patterns than the kinds of surveys used by TI and, by extension, the World Bank (Razafindrakoto and Roubaud, 2010). This suggests that the cross-national indices that are available reflect specific corruption markets rather than successfully measuring corruption generally.

A more recent source of cross-national data are penalties for convicted acts of corruption. Information gathered from violations of the Foreign Corrupt Practices Act (FCPA) provides one such measure. These data are based on published transcripts of FCPA violations that are released by the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission. The output is the real dollar amount of penalties paid by firms for violations of the FCPA in a given country or countries. These values are then aggregated at the country level to create a cross-national corruption measure, which is shown in Figure 2, along with the same map using an existing perceptions-based measure, the TI-CPI scores from Transparency International (Transparency International, 2012). A virtue of this measure, unlike the survey-derived measured just discussed, is that it captures actual incidences of corrupt activities as opposed to perceptions of corrupt behavior. Additionally, these data provide researchers the ability to focus on specific economic sectors rather than consider corruption as it is perceived at the aggregate level.

The only studies to have investigated corruption using the FCPA data, and data from other anti-corruption laws around the world, are to date still unpublished. The first, by Escresa and Picci (2014), uses violations of the FCPA, the OECD Anti-Bribery Convention, and the UK Anti-Bribery Act to construct a corruption index to capture variance in cross-border corruption cases. A second study disaggregates the FCPA data by economic sector to focuses on the causes of corruption in the petroleum industry. It reports that nationalization increases the levels of bribery and extortion in the oil and gas sector (Mahdavi, 2014).
One weakness of this measure is that the more likely a country is to be perceived as corrupt, the more likely it is to be examined for FCPA violations. It could be the case that perceptions of corruption are so strong as to influence judges and prosecutors around the world to pursue some cases rather than others. At worst, this would make these incidence-based measures no more helpful than the existing perceptions-based measures. Further research using this measure will have to adjudicate between the measure’s conceptual accuracy and its potential endogeneity.

None of the cross-national indices currently available distinguish political corruption, or illegal activities for personal or partisan gain on the part of elected officials, from bureaucratic corruption, or illegal activities for personal or partisan gain on the part of bureaucratic officials. This distinction was formulated initially by Rose-Ackerman (1978). Bureaucratic corruption includes the small bribes taken on a daily basis by government agents who interact directly with the public: traffic police, customs agents, tax authorities, school officials, and inspectors and regulators of all sorts. Political corruption refers to illegal activities that are often at a much larger financial scale, including bribes for government contracts and construction. The distinction hinges on the nature of the agent involved in the illegal dealings and not on the scale, but they appear to vary together. Very large-scale corrupt dealings necessarily involve highly-placed elected officials taking bribes from large corporations in exchange for government contracts. Bureaucratic corruption, by contrast, usually involves small amounts of money collected from large numbers of government clients. Data from cross-national surveys does not allow empirical distinction between political and bureaucratic corruption. The FCPA data are the first global cross-national data that we know of that specifically identifies political corruption.

As scholars have become more concerned with issues of research design and causality, they have turned increasingly to the use of subnational measures of corruption. Based on
more precise data, the underlying validity of such measures is usually higher than that of the cross-national measures, although the obvious trade-off is that they are limited in geographic scope. Likewise, subnational studies often are more precisely concerned with either political or bureaucratic corruption. Finally, moving to the subnational level permits carefully constructed experimental or quasi-experimental research designs. We turn now to a discussion of their results.

**Design-Based Studies of Corruption**

As the limitations of cross-national studies, both for the study of corruption and more generally in the field of comparative politics, became increasingly obvious, research has shifted to the subnational level. Many scholars have relinquished the attempt to estimate or explain the degree of corruption in countries around the world, turning instead to generating and then analyzing subnational data on corruption. Some of these studies also reverse the causal arrow: instead of seeking to explain variations in the frequency or extent of corruption, they seek to assess the impact of corruption on outcomes such as the performance of local government, the delivery of social services, or legislative and political selection and retention. This is also in line with a growing policy-relevant focus of contemporary work.

Research in this category derives largely from fortuitous or deliberately created data availability, which is inherently limited and usually highly country-specific. The latter means that much of what has been learned may be idiosyncratic to the setting, although in the absence of similar studies in other countries, it is difficult to be sure. The strength of these studies, however, is that they reflect much more serious attention to the issues of research design that have been stressed in the literature (Dunning, 2012; Gerber and Green, 2012).

Using experimental or quasi-experimental (natural) designs, analysts have explored two separate topics: political selection — whether, that is, politicians with records of political
corruption suffer electoral consequences — and service delivery and the relationship between bureaucratic and political corruption. We discuss each in turn.

A series of papers has exploited the availability of randomized financial audits of Brazilian municipalities to study the impact of public revelations of financial improprieties by mayors on their electoral fortunes (Ferraz and Finan, 2008; Pereira et al., 2009; Ferraz et al., 2010). Auditing began in 2003 with the random selection of municipalities to be investigated. Local elections were held in the middle of the auditing process, thereby creating a sample of municipal elections distinguished by whether or not the public had recently received credible information about financial improprieties on the part of local government. This discontinuity allowed scholars to exploit the random assignment of municipalities as audited or non-audited and to compare the electoral fortunes of incumbent mayors facing audits with mayors who did not.

The results of the research show that mayors whose audits reveal them as having engaged in substantial financial abuse of office are significantly less likely to regain office. An even more pronounced effect is found for mayors in audited municipalities that have radio stations, which is interpreted as a channel for information dissemination. The finding has been interpreted to show that voters need only credible and relevant information about political corruption to eject corrupt incumbents from public office. Other local-level studies that also report that new information alters voting behavior or reduces local government corruption through similar mechanisms include Banerjee et al. (2009) and Reinikka and Svensson (2005). More formal work on the effects of information in reducing agency problems between voters and incumbents is provided in Besley et al. (2005). With more access to information on politicians, voters can identify corrupt leaders and hold them accountable at reelection.

This view contrasts sharply with analyses of voter responses to revelations of corruption at the national level, where study after study (all using observational data and less inferentially valid research designs) report that voters almost never eject corrupt politicians from
office even when new and credible information emerges (Peters and Welch, 1980; Welch and Hibbing, 1997; Reed, 1999; Chang et al., 2010). The reasons for the discrepancy are not precisely understood. Are the different results due to the use of experimental compared with observational data? This would seem the first place to look, but the differences in results do not seem obviously related to that. Do voters respond differently to corruption revelations about local elected officials than about national level politicians? Evidence in support of this comes from the only study which to our knowledge compares electoral outcomes for politicians at different levels of government — in this case, municipal, regional, and national — in a single time frame, all charged with similar criminal offenses. Analyzing (non-experimental) Italian data from the 1990s, Asquer (2014) reports that incriminated mayors and local level politicians are repudiated by voters at much higher rates than national legislators — even though the national legislators are often accused of more serious crimes.

Our own hypothesis for this turns on the extensive literature about differences in the voting population in local as opposed to national elections (Bechtel, 2012; Jackson, 1997; Patterson and Caldeira, 1983). Turnout is consistently lower in local elections, whose electorate is more interested in and informed about politics. Being more informed and more selective in their political choices, the electorate that votes in local elections is also more likely to use information about political malfeasance to eject politicians from office. Some evidence from the U.S. exists that supports the idea that the electorate is not homogeneous in its responses to corruption revelations, and that more informed and aware members of the electorate are more likely to repudiate politicians charged with wrongdoing (Klašnja, 2014).

Given the current state of the evidence, however, other interpretations may still be correct. Perhaps the informational resources of the subelectorate that participates in local elections is not relevant and it is the type of elected office that is important. Voters could respond in systematically different ways to revelations about incumbents holding executive office, such as mayors or presidents, than to revelations about legislators. This might be
because ejecting a single legislator from office may not reduce corruption if enough other legislators are engaged in corrupt practices. Electing a new president, by contrast, can more easily carry thorough-going consequences.

Considerable uncertainty thus surrounds the literature on voter responses to revelations of corruption by elected officials. We have little direct information on how much voters value probity on the part of elected or appointed officials or when they are willing to relax selection criteria. The precise mechanisms that encourage voters, or a small subset of voters, to use information on legal transgressions or malfeasance by elected officials as the basis for their vote choice remain open for additional research.

Another debate that uses subnational data concerns the performance of government bureaucrats. Particularly telling is a series of studies of absenteeism by civil servants, particularly teachers and medical professionals (Chaudhury et al., 2006; Khemani, 2007; Björkman and Svensson, 2009). Compiling results of parallel research undertaken in Bangladesh, Ecuador, India, Indonesia, Peru, and Uganda, scholars report that on average, 19 percent of teachers and 35 percent of health workers are absent from work at any single time. Even when present, many educational and medical professionals are found to be doing something other than working when unannounced enumerators visit their work sites. An almost unique aspect of this work is that it draws on results from different country settings, showing that it is possible to replicate and cumulate micro-level research. Indeed, as far as we are aware, these are the only studies related to corruption that have been performed in multiple national settings with the explicit aim of making separate assessments on a country-by-country basis of the degree of corruption in particular spheres.

A study of the quality of government (Rothstein, 2011) details mechanisms linking corruption in the medical sector and the performance of the health bureaucracy. Because of information asymmetries between doctor and patient, government healthcare professionals easily influence the cost and necessity of treatments and procedures. Combined with the
complexity of the industry, this makes the health sector particularly prone to corruption. This in turn ultimately damages aggregate health outcomes. These findings are supported by cross-national evidence on corruption and health outcomes, such as life expectancy, infant mortality, and World Health Organization survey measures of healthcare quality.

Recent experimental research conducted in Pakistan has extended this line of work, exploring explicitly the political determinants of misallocation in the health sector (Callen et al., 2013). The new study shows that absences (in this case, of medical personnel) are most common among those who owe their appointments to the patronage of a local politician. This has important implications. It demonstrates that bureaucratic corruption is a function of deliberate choice by elected politicians rather than a phenomenon that elected officials are unable to prevent. This corroborates earlier studies that theorized along similar lines (Golden, 2003). Bureaucratic corruption does not occur because of agency slippage in the control of bureaucrats by politicians but instead because allowing bureaucrats to engage in corruption is useful for politicians, perhaps in the construction of their electoral coalitions. To understand variations in the frequency of bureaucratic corruption thus requires a theory of the electoral incentives governing strategies of bureaucratic slippage, something that is a long way off.

Summary

Even with more attention to issues of research design and more precise data, uncertainty about the causes and the consequences of corruption continues because of the difficulties in making cross-national comparisons based on subnational data. There could be contextual effects that are not easily captured by comparing different studies — for instance, although corruption may diminish a Brazilian voter’s evaluation of political incumbents, revealing information on corruption may improve an Indian voter’s image of elected officials. Here we see an emerging opportunity for future research that captures salient differences across
existing subnational work, perhaps along the lines of meta-analysis by Lau et al. (1999) of experiments and observational studies in political communication and media effects or the exemplary meta-analysis by Hsiang et al. (2013) of climate change and violence.

**Democracy, Development, and Corruption**

In democratic polities, public authorities are subject to recall by voters. The electoral sanction imposes basic accountability on elected officials. It follows — at least in principle — that democratic polities exhibit outcomes that better reflect the preferences of voters than occurs in non-democratic settings. Yet it has proven surprisingly difficult to document this empirically. On a whole series of dimensions that ought to be highly pertinent to voters, researchers have had difficulty producing robust and compelling evidence that democracies perform better than non-democracies. The literature shows contrasting and fragile results about whether public health, education, or other measures of welfare are superior in democracies than non-democracies (Lake and Baum, 2001; Mulligan et al., 2004; Ross, 2006). Likewise, cross-national research finds that corruption is only weakly and inconsistently reduced in settings marked by free and competitive elections. Treisman (2000), for example, reports that democracy reduces corruption only in the long term, when a country has been democratic for more than 50 years. This suggests that it takes three generations for voters to use the electoral mechanism to hold elected authorities accountable, which is a long learning curve. A more recent study (Treisman, 2007) shows that the “democracy effect” is primarily due to higher press freedom in consolidated democracies rather than voter learning. And when using Polity measures that capture competitive elections and strong executive constraints, the relationship between democracy and corruption disappears. A study by Montinola and Jackman (2002) argues that democracy may have a non-linear effect, whereby hybrid or transition democracies are marked by higher corruption than either
full autocracies and democracies, though these results only appear statistically significant with the Freedom House measure of democracy.

Most of the difficulty comes from countries at lower levels of development. Wealthy countries are disproportionately democratic. They also perform well on all the outcomes we would expect, including corruption. Poorer countries, by contrast, are highly heterogeneous, and poverty tends to swamp institutional differences. In Table 1, we show the average corruption scores in 2012 based on the KKZ measure used in Figure 1, broken down by income group and regime type. Not only is there more balance between regime types among the poorest countries of the world, but corruption is statistically equivalent across poor autocracies and poor democracies. Indeed, the poorest democracies appear just as corrupt as the poorest autocracies, while in richer countries democracy is the norm (39 of the 48 high income states are democratic) and corruption is relatively low. Interestingly, even without statistical controls or multivariate regression, the data indicate that middle income democracies are more corrupt than high income autocracies, consistent with economic development as the main determinant of corruption. Why might this be the case?

Some recent theoretical headway on this exceptionally challenging question comes in two recent papers. Fearon (2011) provides an investigation into mechanisms underpinning effective electoral accountability in fragile democracies. The paper sets out the problem of understanding why outcomes such as rent-seeking may be identical across authoritarian and democratic polities: why, in other words, universal suffrage and regular elections do not necessarily produce accountability. In Fearon’s model, coordinated political opposition, in the form of an organized political party, may play an important role in making democratic elections credible, thereby reducing shirking by leaders. Bidner and Francois (2013) builds on Fearon’s paper to argue that democratic political institutions only operate as expected when rulers act according to norms of accountability: that is, when citizens are willing to
punish transgressions by rulers.

Each of these two papers provides an intuition about different factors that may reduce corruption even in impoverished but democratic settings. From Fearon comes the idea that elections operate more effectively to enforce accountability where political contests are organized; hence, political parties may be relevant in containing corruption. As far as we are aware, little research into how party systems affect corruption exists. From Bidner and Francois comes attention to the development of norms, and in particular the diffusion of the norm that transgressions by government will be punished by voters. Each of these theories represents a major analytic challenge for future empirical progress in the study of political corruption.

Conclusions

Institutionalist approaches are surprisingly ineffective in understanding corruption. Democratic elections permit but do not enforce accountability. We speculate that they limit corruption and rent-seeking only when underpinned by popular expectations of how political leaders should behave and when these expectations are organized into permanent political rivalry and monitoring in the form of political parties. Thus far, scholarly work has yet to show that democracy reduces corruption. Instead, we find that in the poor nations of the world, where corruption is often very high, democratic political institutions are inadequate to establish and coordinate expectations that reduce corruption. Within democracies, even wealthy ones, it is similarly unclear which specific configurations of formal institutions explain variations in corruption outcomes. Economic development, finally, is the main driver of the reduction of corruption that characterizes the west, but we have little understanding of how, when, or why this occurs during the process of modernization.

The literature we have reviewed shows more agreement about the consequences of corrup-
tion on institutions. Corruption is uniformly seen to carry negative effects on bureaucratic performance and related outcomes, particularly in the health and education sectors. Here the challenge is to devise research that can assess quantitatively the consequences of corruption. What are the costs of corruption on years of schooling, literacy, and lifetime income? What are its costs for health-adjusted life expectancy? Assessing the costs of corruption is not only of academic interest but also likely to be important in reducing corruption itself.
REFERENCES CITED


Tables and Figures

Table 1: Corruption by Regime Type and Income Group (2012)

<table>
<thead>
<tr>
<th>Income group</th>
<th>Autocracy</th>
<th>Democracy</th>
<th>Difference</th>
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<tbody>
<tr>
<td>Low income</td>
<td>−0.90</td>
<td>−0.80</td>
<td>0.10</td>
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<td>(0.09)</td>
<td>(0.09)</td>
<td>(0.14)</td>
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<tr>
<td>number of cases</td>
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<td>Middle income</td>
<td>−0.57</td>
<td>−0.16</td>
<td>0.41***</td>
</tr>
<tr>
<td></td>
<td>(0.10)</td>
<td>(0.09)</td>
<td>(0.13)</td>
</tr>
<tr>
<td>number of cases</td>
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<td>56</td>
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<tr>
<td>High income</td>
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<td>1.25</td>
<td>0.82***</td>
</tr>
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<td>(0.35)</td>
<td>(0.12)</td>
<td>(0.32)</td>
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<tr>
<td>number of cases</td>
<td>9</td>
<td>39</td>
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</table>

Note: *p<0.10; **p<0.05; ***p<0.01

Sources: Regime type from Cheibub et al. (2010) where democracy is defined as a “system in which incumbents lose elections and leave office when the rules so dictate.” Income group from the World Bank, World Development Indicators (World Bank, 2013). Countries with less that $1,035 of per capita GNI are classified as low income and countries with more than $12,616 of per capita GNI are classified as high income. Control of corruption from World Bank, World Governance Indicators (Kaufmann et al., 2010).
Figure 1: Scatterplot of Corruption and Per Capita GDP (2012) for 183 Countries by Regime Type (2008)

Sources: Control of corruption from World Bank, World Governance Indicators (Kaufmann et al., 2010); GDP per capita from the World Bank, World Development Indicators (World Bank, 2013); regime type from Cheibub et al. (2010).
Figure 2: Geographical Variation in FCPA Violations across the World, 2006–12 (top map), and Transparency International Corruption Perceptions Index, 2012 (bottom map).

Notes: FCPA penalties data are measured in logged US dollars; TI-CPI data are measured on a 0-100 scale with 0 representing high levels of corruption and 100 representing low corruption. Sources: United States Department of Justice (2012a,b); Transparency International (2012).