Dealing with Corruption in a Democracy - Phyllis Dininio

This paper will focus on the relationship between corruption and democracy. It will first examine the impact of corruption on democracy and the reciprocal impact of democracy on corruption. Then it will look at the underlying causes of corruption and corresponding interventions to fight it. It will conclude with a brief discussion of recent experience in promoting democracy and combating corruption in Eastern Europe.

Relationship between Corruption and Democracy

Through many channels, corruption has a negative impact on democracy. Most clearly, corruption erodes the legitimacy of democracy as it makes hollow the principles and values of democracy such as equality, fairness, and justice. Pay offs to judges, for example, twist the

principle of equality before the law to money before the law.
Corruption also reduces people's satisfaction with government as it
undermines economic growth and, concomitantly, reduces the government's
revenues and ability to provide services. Corruption also hurts the
poor disproportionately and further skews the distribution of wealth
and power in a society which, in turn, undermines interpersonal trust
and support for democracy. Finally, corruption supports crime, which
makes people less secure and reduces their support for the system.

Figure 1 shows one dimension of the relationship between corruption and
democratic legitimacy. This graph comes from the Latin American Public
Opinion Project of Vanderbilt University which was funded by USAID.
The research shows that corruption victimization was the largest reason
for people to rate their government as less legitimate, ahead of crime
victimization, personal income, and whether or not a person voted for
the government in power.

Figure 1. Corruption Victimization Undermines Democratic Legitimacy
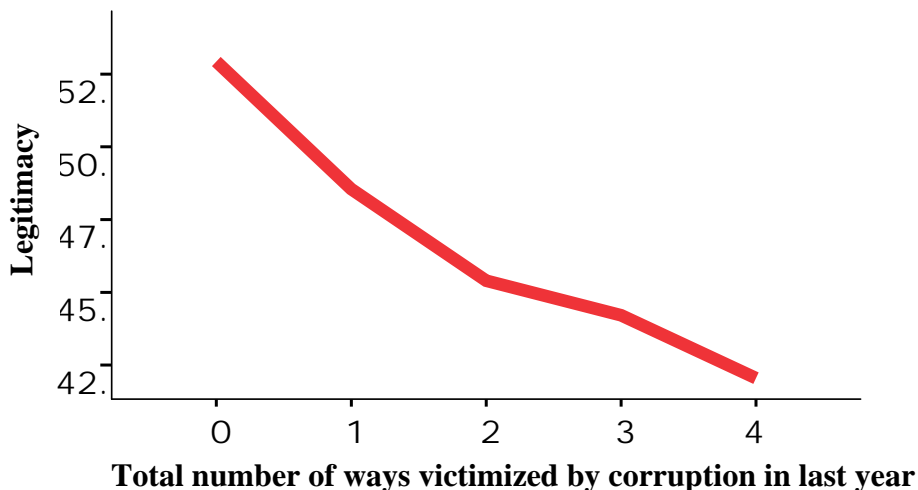
Source: AmericasBarometer 2006 by the Latin American Public Opinion
Project of Vanderbilt University.

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An analysis of similar data from Afrobarometer by Michael Bratton

corroborates this finding for Africa. The perception that elected

leaders are corrupt, and are monopolizing available resources, has a

negative effect on people's perception of the extent of democracy in

their country.[1]

While the impact of corruption on democracy is clearly negative, the

impact of democracy on corruption is less clear. On the one hand,

democracy provides a framework for fighting corruption. Democracy

allows citizens to throw corrupt leaders out of office and elect a new

government. The threat of electoral defeat can act as a check on

elected leaders' behavior. In addition to this form of vertical

accountability, a democracy can also strengthen mechanisms of

horizontal accountability, including independent judiciaries and

legislatures, which can act as a check on executive abuses of power.

On the other hand, democracy can provide new opportunities for

corruption, especially in the electoral arena. The most notable forms

of electoral corruption are vote buying, vote rigging, and campaign

contributions that come with strings attached and function as bribes.

On balance, data from Freedom House and Transparency International (TI)

show that democracy and corruption are negatively correlated, although

the relationship is not a strong one. Figure 2 shows TI's Corruption

Perceptions Index (CPI) on the vertical axis and democracy scores

compiled from adding Freedom House's political rights and civil

liberties scores on the horizontal axis. A country is perceived as

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[1] Michael Bratton, "Formal versus Informal Institutions in Africa,"
Journal of Democracy July 2007, Vol. 18, No. 3, 96-110.

less corrupt if it has a higher CPI score and as more democratic if it has a lower Freedom House score. There is a lot of variation in corruption levels for countries at each level of democracy, but overall the corruption levels improve as countries become more democratic. In the middle category of countries with a democracy score between 1.5 and four, a lot of countries fall below the regression line. They are performing less well on fighting corruption than one would expect, given their level of democracy. By contrast, countries in the free category with a democracy score of one perform significantly better on fighting corruption.

Figure 2.   Corruption and Democracy are Negatively Correlated
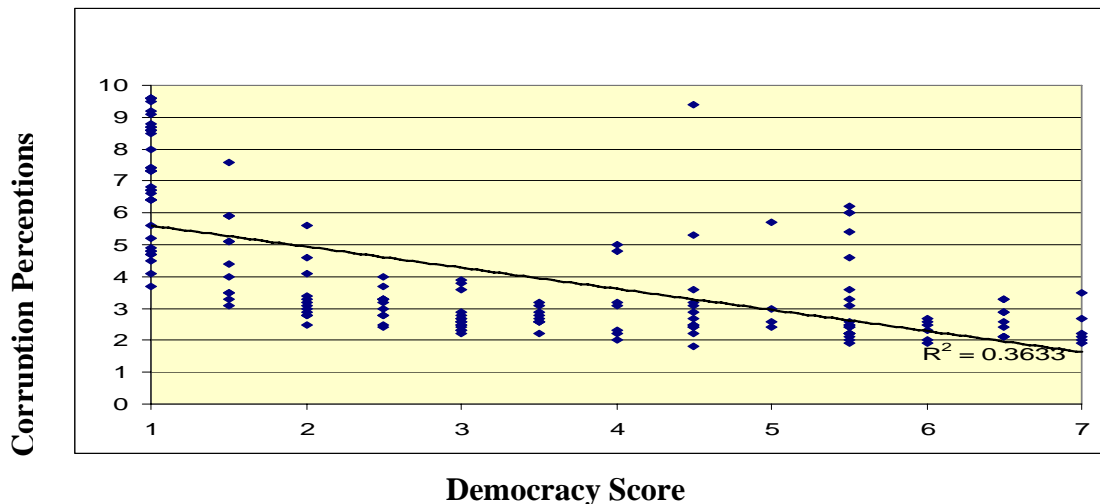
Democracy Score

Source: Freedom House political rights and civil liberties scores, 2006, and Transparency International CPI, 2006.

Looking at different syndromes of corruption brings more clarity to the relationship between corruption and democracy. The four corruption syndromes delineated by Johnston[2] provide more nuance than the simple democracy scores of Figure 2 (See Table 1). Countries that would be

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[2] Michael Johnston, *Syndromes of Corruption* (New York: Cambridge University Press, 2005).

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characterized by Freedom House as free, having a score of one, for
example, have different political and economic profiles and fall into
different categories. Some countries have mature democracies and
markets and fall into the Influence Market syndrome with low levels of
corruption, whereas others have reforming democracies and markets and
fall into the Elite Cartel syndrome with higher levels of corruption.

In Influence Markets, the institutions are generally well established
and have been developed over time, and the capacity of the state and
civil society is extensive. There tends not to be much everyday, or
administrative, corruption, but there is some political, or grand,
corruption. The average Corruption Perceptions Index score (from 2003)
is quite high at 8.1.

Table 1. Syndromes of Corruption

Syndrome	Political and Economic Profile	Average TI CPI (2003)
Influence Markets (most OECD countries)	Mature democracies and markets	8.1
Elite Cartels (Italy, Central Europe, Chile, Korea, Botswana)	Reforming democracies and markets	4.6
Oligarchs and Clans (Russia, Turkey, India, Thailand, Philippines, Mexico, Ghana)	Transitional democracies and new markets	3.1
Official Moguls (China, Indonesia, Jordan, the Emirates, Kenya)	Undemocratic regimes and new markets	3.0

Source: Johnston 2005.

In the second corruption syndrome, Elite Cartels, democracies and
markets are reforming rather than mature. Interlocking groups of

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politicians, business figures, bureaucrats, military officials, and
ethnic leaders share corrupt benefits and solidify their power.
Corruption is more pervasive, with an average Corruption Perceptions
Index score of 4.6.

Transitional democracies and new markets comprise countries in the
third corruption syndrome, Oligarchs and Clans. Here, insecure elites
build extended personal clans to exploit the state and the economy.
The average Corruption Perceptions Index score is even lower, at 3.1.

Finally, undemocratic regimes and new markets characterize countries in
the fourth corruption syndrome, Official Moguls. The officials exploit
society and economy, and kleptocracy is likely. The Corruption
Perceptions Index is again quite low, at 3.0.

Causes of and Responses to Corruption
In general, the causes of corruption can be grouped into two
categories: institutional and societal. Institutional causes of
corruption include wide authority, little accountability, and perverse
incentives. Wide authority is a cause of corruption because the more
activities that public officials control, the more opportunities there
are for corrupt behavior. Opportunities do not necessarily translate
into corrupt acts, but if there are no opportunities, then there cannot
be any corruption.

Little accountability is another cause of corruption. If the
probability of detecting and punishing corrupt behavior is low, then
there is a greater probability that opportunists will engage in
corruption. Measures like transparency and oversight allow corrupt

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acts to be detected, and the working of judicial system allows the corrupt to be sanctioned.

Perverse incentives are another cause of corruption. Low salaries, limited benefits and rewards for performance of duties, lack of professionalism, and no credible fear of job loss can contribute to individual's decision to partake in corruption. Indeed, meritocracy has been shown to be a very big predictor of corruption levels across government institutions within a country.

In addition to these institutional causes of corruption, there are a number of societal causes of corruption. Widespread poverty and conflict can fuel corruption because they create situations in which order and rules are challenged by the need to survive. Moreover, family or tribal, ethnic, religious, political loyalties create systems of patronage in which advantage is given to members of a selected group and subvert formal rules. An illegitimate government can also contribute to corruption: the extent to which people perceive their government as lacking legitimacy, whether it is due to repression or ineffectiveness or some other factor, can create an atmosphere of distrust and disregard for laws and rules. Finally, the dominance of a ruling elite can create an atmosphere in which the advantaged think they can operate outside the law because of their dominance but the disadvantaged think that they can operate outside the rules because of the unfair playing field. These conditions often work in tandem, but they can be present to different extents.

Identifying the root causes of corruption facilitates a tailored intervention to fighting it. Where opportunities for corruption are

seen as a problem, for example, reforms should aim to reduce those opportunities by simplifying and streamlining processes for permit or passport applications, reducing or eliminating import quotas and tariffs, and deregulating markets. Where little accountability is a problem, reforms should aim to increase transparency, oversight and sanctions through passing freedom of information legislation, publishing rules and procedures so citizens have an understanding of what they're entitled to and how systems are supposed to work, criminalizing corrupt acts, and strengthening supreme audit institutions, attorney generals and judiciaries. Where perverse incentives are a problem, reforms should aim to provide a living wage and improve meritocracy and professionalism in public administration.

In addition to these reforms to government institutions, anti-corruption efforts need to mobilize civil society, the business sector, and media and enlist them as key stakeholders and partners in this effort. Coalitions of government and non-governmental activists are the most effective way to make these changes and sustain them in the face of opposition.

Alongside these institutional reforms to fight corruption, a broader reform agenda can also seek to address the societal causes of corruption. Perhaps most notably, increasing economic development can contribute to this effort. In most cross-country studies, higher income levels are the best predictor of lower corruption levels. Increasing economic development makes possible capacity building and other improvements in institutions and reduces the drive to cheat the system if the system is providing a means to meet one's needs. This is not a short-term undertaking for most developing countries, but

suggests a focus on alternative livelihoods in post-conflict settings
may be warranted.

Emphasizing government effectiveness can also address societal causes
of corruption. Citizens are more likely to abide by rules when they
are actually seeing the government deliver what they want, particularly
security and essential services.

Decreasing the concentration of wealth and power can also address
societal causes of corruption by reducing the privileges of the
dominant elite and improving the fairness of economic and political
systems.

Recent experience in Eastern Europe

An analysis of Transparency International corruption scores and Freedom
House democracy scores between 1999 and 2006 in Eastern Europe affirms
that improving democracy and fighting corruption are closely linked.
Figure 3 shows the first ten countries that joined the EU--the eight
that joined in 2004, and Romania and Bulgaria, which joined in 2007--in
alphabetical order followed by the four Balkan countries. The paired
columns point to a strong link between the changes in corruption and
the changes in democracy: the R-squared in fact is .87. This shows
that accession helps countries take on political and economic reforms
that result in increased freedom and lower corruption. These countries
have also experienced increasing per capita incomes.

Figure 3. Changes in Corruption and Democracy in Eastern Europe

Source: Freedom House and Transparency International, various years.

The EU accession process requires the accession countries to adopt the acquis communautaire—the EU's legislation and policies and standards—which creates a more coherent, accountable, and democratic government. At the same time, the accession process substantially increases the amount of aid that's given to these countries and requires careful formulation of national development policies in order to help them catch up to EU standards of living. Through both channels, theory suggests that the access process helps to reduce corruption.

The World Bank's analysis of these countries in their report from last year, *Anticorruption in Transition 3*,[3] shows another way in which evidence supports theory. The accession countries have progressed further in reducing administrative day-to-day corruption than other countries in the region, but continue to have difficulty addressing grand corruption, such as public procurement. This corresponds with a move from Johnston's Elite Cartel syndrome to the Influence Market syndrome. With these EU accession countries, corruption levels in

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[3] World Bank, *Anticorruption in Transition 3* (Washington, DC: World Bank, 2006).

general are falling, day-to-day administrative corruption is falling,

but political corruption continues to be a problem just like it is for

the OECD countries.