Study of the Effect of the Civic Participation on Reducing Political Corruption

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By

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Abstract

One of the fundamental activities of the civil society is fighting corruption. An efficient and sustainable fight against corruption can be done only on the collaboration of three partners: government, private sector and civil society. Civil society’s strategies against corruption must be diverse in responding to various causes and forms. In this paper, I examine political, economic and civil society factors reduce the levels of corruption in various nations using Corruption Perception Index (CPI) and Global Civil Society Index (GCSI) data. Corruption is typically lower in countries that have higher civil liberties than in countries that do not. Yet, increase of political rights does not affect reducing corruption. Economic development accompanied with increase of economic freedom reduces corruption. My research confirms that an additional point of GSCI and an additional percentage of adult population working in advocacy and expressive fields increase CPI. Yet, country size and education enrollment rates do not affect reducing corruption.
I would like to special thank my thesis advisor, Christopher Toppe, Ph.D, for his guidance and assistance in this endeavor. Additionally, I want to thank all of my professors from the Georgetown Public Policy Institute who provided me with the knowledge and skills necessary to complete this type of statistical analysis.
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Introduction

In the modern world, civil society plays an increasingly important role in global governance through NGOs. While churches, community groups, and interest groups have played a traditional role in the local public sector, this new civil society has taken a more active involvement in the global public sector as well as private sector. Jessica Matthews, president of the Carnegie Endowment for International Peace, described this trend for power to move from formal state to non-state actors as a “Power Shift”.¹ Civil society refers to “voluntary participation including political actions by the typical citizens and does not include activities imposed by the state”.²

What, then, can the independent and voluntary civil society do to make a better world? According to Michael Edwards, civil society has played an economic role providing services and cultivating social values, a social role fostering ‘social capital’, and a political role controlling state and corporate power.³ Especially in the political area, civil society has been critical pillar in “promoting transparency, accountability and ‘good governance’”.⁴

One of the fundamental activities of the civil society is fighting corruption. Advocates of civil society believe that the best position against serious corruption problem is in a partnership consisting of three pillars; government, the private sector and civil society.⁵

³ Michael Edwards (2004), Civil Society, Cambridge, UK: Polity, pp. 11-17
⁴ Ibid. pp.15
⁵ Eigen, Peter (2002). Corruption and Integrity Improvement Initiatives in Developing Countries,
Why is the collaboration of all three needed? Would it not be sufficient if the government and private sectors invent new control mechanisms and enforce sanctions by themselves? Some believe that civil society will become active where government does not reach and where market leave us with undesirable results. Many cases were regarded as a civil society’s success by nongovernmental organizations such as Transparency International and OECD. The representative example was adoption and implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transaction. They believed that this Convention contributed to generate political will, make government comply with their anti-corruption commitment and encourage private companies to adopt the compliance measures. To what extent does the adoption and implementation of the Convention decrease the corruption rate in various nations? What effort do the national civil societies make for adopting and implementing the Convention? In order to measure this effort, we have to know why corruption prevails in various nations. Knowing the causes of a disease is the first step for a cure.

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8 ibid. pp. 11-16
Chapter I

1.1 Background

Corruption

Comparative study of corruption has been stymied by the lack of a universal definition and by the absence of the data. However, USAID defines corruption as “the abuse of public office for private gain”. More specifically, corruption is “an attribute of agent-principal relationship and as such may be defined as (1) the sacrifice of the principal’s interest for the agent’s, or (2) the violation of norms defining the agent’s behavior.”. Forms of corruption vary, but include bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement. The representative behavior of corruption is not only one-sided abuses by government officials such as embezzlement and nepotism, but also in connections between public and private actors using bribery, extortion, influence peddling, and fraud. It has three characteristics: “excessive payment”, “violation of law or social convention” and “social loss”. There seem to be differences between developing countries’ corruption and developed countries’ corruption. For example, in the developing country, the public usually hears

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12 http://en.wikipedia.org/wiki/Political_corruption
14 Glaeser, Edward L. and Goldin, Claudia(2005), Corruption and Reform, National Bureau of Economic Research
15 TI Latvia (2005), Monitoring the investigation of corrupt activities and lobbying for the introduction of consistent judicial practices, retrieved from http://www.delna.lv/eng/?q=ful&story=196&sec=180
about an investigation when scandal happens. But, at the end, the investigation and criminal proceedings disappear under the pretext of lack of evidence or buck-passing. Unsatisfactory punishment of corruption damages public trust in the state and the court.\textsuperscript{16} While corruption is done under the table in the developing countries, corruption of developed countries has different forms, such as lobbying or favors, which are regulated in the law. If corruption or scandal is suspected, thorough investigation and prosecution will follow.

Corruption causes serious development challenges. Corruption undermines the values of democracy and justice by distorting formal processes, and jeopardizes sustainable development and the rule of law.\textsuperscript{17} Corruption in elections and in legislative bodies reduces accountability and representation in policymaking; corruption in the judiciary infringes the rule of law; and corruption in public administration results in inefficiency and unresponsiveness in the public goods and service provision.\textsuperscript{18} Corruption weakens legitimacy of government and democratic values such as trust and tolerance.\textsuperscript{19} Corruption also generates considerable distortions and inefficiency and hampers economic growth.\textsuperscript{20} However, some researchers argue that corruption can have an advantage in developing countries. That is, corruption in developing countries contributes to nation building and GDP growth. Maxim Mironov\textsuperscript{21} demonstrated that

\begin{footnotesize}
\begin{itemize}
\item[18] http://en.wikipedia.org/wiki/Political_corruption
\item[21] Miranov, Maxim(2005), \textit{Bad Corruption, Good Corruption and Growth}, retrieved from http://home.uchicago.edu/~mmirono1/
\end{itemize}
\end{footnotesize}
“corruption which is uncorrelated with governance characteristics is positively related to GDP growth in countries with poor institutions.”

Civil Society

As potent anti-corruption strategies, both the fragmentation of political power and accountability of government have been suggested. However, simple institutionalized devices do not mean that the problem will go away. An anti-corruption strategy should be built on ‘Civil Society’ which is, according to Lester M. Salaman, a broad array of organizations that are outside the institutional structures of government; that are not primarily commercial, that are self-governing, and that people are free to join or support voluntarily.

Civil society’s strategies against corruption also must be diverse responding to various causes and forms. For example, in the developing country, civil society’s strategy has to involve establishing and building the capacity of national accountability, integrity and transparency. On the contrary, in the developed country, civil society has to continue to raise awareness and to encourage a focus on the fight against corruption across party politics.

1.2 Research Question

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My central question is what factors affect corruption and whether the increase of civic participation really leads to reduced corruption. Several researchers focused on nations’ political and economic status. Civil society organizations insisted that they have played a vital role in creating public awareness about corruption, formulating action plans to fight corruption, and monitoring government action. However, these activities seem to be normative and there is no specific study showing whether or how civil participation contributes to substantial reductions of corruption. Accordingly, using a regression that controls for confounding factors including national intrinsic traits, economic growth and political development, I will study the relationship between civic participation and the Corruption Perception Index (CPI).

1.3 Literature Review

In order to explain the prevalence of corruption, there are two approaches. First, according to ‘moralist’, “corruption stems from social norms that focused on gift-giving and loyalty to family or clan”. In the private sector, gift-giving is pervasive and highly valued and such practices spread into public life. Second, according to revisionists, corruption is associated with a country’s particular stage of development. Corruption is a by-product of the process of modernization, but its efficiency consequences are unsure.

Empirical accounts of corruption are more difficult to obtain than theoretical analyses of the phenomenon due to the ‘clandestine’ nature of the activity. With the appearance

29 Alam, Shahid M. (1989), Anatomy of Corruption: An Approach to the Political of Underdevelopment,
of the public choice explanation, many researchers have explained factors of corruption through empirical data and evidence. Largely, these factors are divided by political aspect and economic aspect.

As for political prospective, a number of political science researchers seem to support the influence of democracy and restraints on the power of public officials in reducing corruption. Experiencing transitions to democracy, citizens can enjoy new-found civil liberties and voting rights to confront corruption. This prompts leaders to fulfill strong anti-corruption commitments. The freedom of information and association of democracies can help monitoring of bureaucrats and limiting the chances of corruption behavior. The possible turnover of power in a democracy can make politicians not promise that particular laws and regulations will continue. Using the Corruption Perception Index (CPI) provided by Transparency International (TI) for 1988-1992, Gabriella R. Montinola and Robert W. Jackman showed that political competition influences the levels of corruption, but this effect is nonlinear. “Even though corruption is lower in dictatorship than in partially democratized countries, once past a threshold, democracy decreases corruption.” This pattern is significant on several accounts. It helps explain why corruption flourishes in diverse new democracies, and the difficulties facing countries attempting to re-establish democracy. They suggested that only countries which not only hold free and fair elections but which also have legislators who

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31 ibid, pp.484
are willing to and able to sustain political competitiveness can reduce corruption.\textsuperscript{34} However, they urged that government size does not affect corruption, but countries where incomes of public sector employees are low have been more corrupt.\textsuperscript{35} This is a controversial issue, because government size is measures by the number of government officials, not by its expenditure.

Using the World Bank Institute’s corruption data, Alok K. Bohara, Neil J. Mitchell, and Carl F. Mittendorff examined political structural incentives for corrupt behavior at the level of the nation state. They argued that the control of corruption depends on the compensation and accountability of public officials, and on an open and competitive economy.\textsuperscript{36} An increase in democracy improves the level of perceived control of corruption. Democracy is a multidimensional concept, but they used electoral competition and participation as core elements.\textsuperscript{37} The more active participation, for example, citizens’ spending more time in political system, leads to higher levels of control of corruption.\textsuperscript{38} Also, even though economic development increases the control of corruption, federalism is not significantly associated with the control of corruption.\textsuperscript{39} Torsten Persson, Guido Tabellini and Francesco Trebbi also investigated how the electoral system, which is a core element of democracy, influences corruption. From a sample from the late nineties encompassing more than 80 (developed and developing) democracies, they found that “larger voting districts – and thus lower barriers to entry –

\textsuperscript{34} ibid, pp.168
\textsuperscript{35} ibid, pp. 169
\textsuperscript{37} ibid, pp. 484
\textsuperscript{38} ibid, pp. 484
\textsuperscript{39} ibid, pp. 496
are associated with less corruption, whereas larger shares of candidates elected from party lists – and thus less individual accountability – are associated with more corruption.”

Besides institutionalized democracy, Wayne Sandholtz and William Koetzle concentrated on the cultural norm or orientation. The effectiveness of democratic institutions in reducing corruption depends on the presence of a set of democratic norms. Therefore, they argued that “the level of corruption is a product of two primary factors: the political-economic structure of incentive and opportunities, and the cultural norm that shape people’s perception and evaluation.” Both the structure of opportunities and democratic norms determine the level of corruption. According to their prediction, a country’s corruption will be lower: “(1) the higher the average income; (2) the greater the extent of individual economic freedom and opportunity; (3) the greater the degree of integration in the international economy; (4) the stronger is democracy; and (5) the more prevalent are Protestant values.” Similarly, according to Daniel Triesman, long-lived aspects of countries’ cultural or institutional traditions affect the level of perceived corruption more significantly than current state policies.

As for economic aspects, income levels, remuneration, market competition and GDP growth are emphasized. According to Alok K. Bohara, Neil J. Mitchell, and Carl F. Mittendorff, as economies develop, public officials get more compensation which lowers

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42 ibid, pp.38
43 ibid, pp.36
44 ibid, pp.39
45 ibid, pp.47
their incentive to seek additional incomes.\textsuperscript{47} Moreover, as trade opens more, the size of
government projects will be reduced and therefore corruption will be decreased.\textsuperscript{48} In
order to support foreign investment, government has to have power over the transaction
cost of disadvantageous corruption. Wayne Sandholtz and William Koetzle hypothesized
that low average incomes create ‘structural incentives’ for corrupt behavior.\textsuperscript{49} Where
incomes are low, even small amounts of additional income can have a large impact on
living condition. This leads to bribes. They pointed out that average income and
economic freedom are negatively related to perceived corruption.\textsuperscript{50}

However, La Porta et al. found that a positive correlation between government wage
as a share of per capita GDP and level of corruption.\textsuperscript{51} Contrary to the view that higher
pay for bureaucrats is a prescription for corruption, the correlation suggested the opposite.
That is, in the more bureaucratic countries, bureaucrats collect higher wages and bribes.\textsuperscript{52}
Daniel Triesman also found “no clear evidence that higher government wages reduce
government corruption, this might be because of the endogeneity.”\textsuperscript{53} While high wages
may reduce corruption, corrupt politicians may allocate themselves high wages.\textsuperscript{54}

The degree of competition in the economy is weakly associated with the level of
corruption.\textsuperscript{55} Including the Market Dominance and Antitrust Law variable, Alberto Ades
and Rafael Di Tella uncovered that countries with markets dominated by a few firms have

\begin{footnotesize}
\begin{itemize}
\item[48] \textit{ibid}, pp. 492
\item[50] \textit{ibid}, pp. 44
\item[51] La Porta Rafael et al (1998), \textit{the Quality of Government}, National Bureau of Economic Research,
working paper w6727, Cambridge, MA pp.1-61
\item[52] \textit{ibid}, pp.23
\item[53] Treisman, Daniel(2000), pp. 430
\item[54] \textit{ibid}, pp.417
\item[55] Ades, Alberto and Di Tella, Rafael (1997), \textit{The New Economics of Corruption: A Survey and Some
New Results}, Political Studies, 1997 Special Issue, Vol. 45 Issue 3, p496-515
\end{itemize}
\end{footnotesize}
higher corruption.\textsuperscript{56} “A one standard deviation increase in Market Dominance increases corruption by 19 percent of standard deviation in the \textit{World Competitive Report} (WCR) Corruption Index.”\textsuperscript{57} Also, countries which have effective antitrust laws that regulate noncompetitive practices have lower corruption.\textsuperscript{58} Likewise, Daniel Triesman, suggested a relationship between exposure to imports and lower corruption.\textsuperscript{59} “Openness to trade is clearly endogenous: exposure to imports may reduce corruption, but corrupt officials are also likely to create rent-generating barriers to trade.”\textsuperscript{60} On the contrary, Alok K. Bohara, Neil J. Mitchell, and Carl F. Mittendorff insisted that trade openness is statistically significant in reducing the level of corruption.\textsuperscript{61}

Several studies have found a negative relationship between GDP growth and corruption. Corruption is a crucial obstacle to economic development.\textsuperscript{62} Paulo Mauro found that corruption lowers private investments, thereby reducing economic growth, using Business International (BI) indicators for 1980-1983.\textsuperscript{63} “A one standard deviation increase in the corruption index is associated with an increase in the investment rate by only 2.9 percent of GDP.”\textsuperscript{64} In addition, bureaucratic or institutional inefficiency is significantly associated with low growth.\textsuperscript{65} Likewise, according to an IMF working paper report, for a sample of 97 countries in 1997, countries with higher perceived

\begin{thebibliography}{99}
\item Ades, Alberto and Di Tella, Rafael (1999), \textit{Rents, Competition, and Corruption}, The American Economic Review, Vol.89, No.4. (Sep, 1999), pp. 982-993
\item ibid, pp. 990
\item ibid, pp. 990
\item Treisman, Daniel(2000), pp. 435
\item Bohara, Alok K., Mitchell, Neil J., and Mittendorff, Carl F.(2004), pp. 491
\item ibid, pp.695
\item ibid, pp.701
\end{thebibliography}
corruption tend to have lower real per capita GDP. Likewise, countries with low per capita income tend to have higher corruption. At the same time, there is a negative association between corruption perception indexes and economic growth as measured by growth in real per capita GDP.

Using data for corruption from the survey section of the *World Comparativeness Report* (WCR), Alberto Ades and Rafael Di Tella found that “a one standard deviation increase in per capita GDP reduces the Business International Corruption Index (BICI) by 1.57 points, approximately two-thirds of a standard deviation of this index.” They also found that “countries with low levels of political rights have low corruption.” It means that ‘political rights’ consistently had no significant effect on corruption. Similarly, Raymond Fisman and Roberta Gatti found that countries with more decentralized expenditures have better corruption ratings. They suggested that “a one standard deviation increase in decentralization will be associated with an improvement in the country’s corruption rating (German Exporter Corruption Index) of 40 percent of a standard deviation.” Gabriella R. Montinola and Robert W. Jackman also found that economic development reduces corruption, and this affects decreasing per capita GDP. “Differences in level of corruption are most evident between countries with low and intermediate level of development.”

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67 *ibid*, pp.5
68 Ades, Alberto and Di Tella, Rafael Di (1999), pp. 987
69 *ibid*, pp.987
72 *ibid*, pp.154
What emerges from the literature is what the most effective methods against corruption are. Efforts to fight corruption include “institutional reforms” and “societal reforms”. Institutional reforms include “actions to reduce government authority, increase accountability, and align official incentives to public ends”. These measures target government institutions and processes in all branches and levels of government. Societal reforms, on the other hand, include “measures to change attitudes toward formal political processes and to mobilize political will for anti-corruption reform”.

Some scholars insisted that the prescribed types of corruption control strategies are “societal, legal, market and political.” Societal strategies emphasized ethical norms, education and public attention. Scholars agree that societal consensus about equality and propriety is necessary against corruption. To achieve such a consensus may involve a steady and continuous educational effort. Others argue that the remedy for corruption is public attention. “The best elements in a society should mobilize to lead a sustained citizen-initiated protest action.” Many scholars argued that “external accountability” is required, focusing on “transparency mechanisms and monitoring tools, as well as participatory ‘voice’ and incentive-driven approaches for prevention.” According to John M. Ackerman, the basic tool is “social accountability”, which is an approach

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74 ibid. pp. 9
75 ibid. pp. 14
towards building accountability that is based on “civic engagement”, in which it is “ordinary citizens and civil society organizations who participate directly or indirectly in exacting accountability.”  

1.4 Hypotheses and Model

While previous researchers analyzed that the causes of corruption were political and economic, they often could not measure a crucial factor, the emergence of civil society. The main reason was that there were no solid empirical measures of the civil society phenomenon. Now, even though limited, new measurement is being developed.

To explain the variation in corruption in the diverse states, I construct a parsimonious model adding civil society factors. Specifically,

\[ Y_i = \beta_0 + \beta_1 Z_{i1} + \beta_2 Z_{i2} + \beta_3 Z_{i3} + \beta_4 Z_{i4} + \beta_5 Z_{i5} + \beta_6 Z_{i6} + \beta_7 Z_{i7} + \beta_8 Z_{i8} + u_i \]

where \( Y_i \) is the Corruption Perception Index and the right variables are grouped into three categories of independent variables; political factors (\( Z_{i1} \): Political Rights and \( Z_{i2} \): Civil Liberties); economic factors (\( Z_{i3} \): real GDP per capita and \( Z_{i4} \): Economic Freedom Index); civil society factors (\( Z_{i5} \): Global Civil Society Index) and country size (\( Z_{i6} \): natural logarithm of population) and education (\( Z_{i7} \): net enrollment rate (%) at primary level, \( Z_{i8} \): net enrollment rate (%) at secondary level). The subscript i represent the number of countries. Time is fixed in 2000. I will examine the following hypothesis.

In order to test my hypotheses, I will use multivariate regression and F-Test.

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80 Ackerman John M. (2005), Social Accountability in the Public Sector: A Conceptual Discussion, Participation and Civic Engagement, Paper No.82
$H_1$: The more established the democratic values, the lower the level of corruptions.

In functioning democracies, government officials are more likely to be accountable to the public and the public is more likely to monitor and control corrupt behavior.\textsuperscript{81} Under democracy, public officials have a responsibility to explain their decisions and actions to the citizens.\textsuperscript{82} Government officials, especially elected officials, are sensitive to public opinion and easily motivated to respond to the revelations of corruption. Wayne Sandholtz and William Koetzle pointed out that “basic democratic freedoms such as those of assembly, speech and press can allow the public access to information and to publicize their discoveries.”\textsuperscript{83} Thus, backdoor dealings are difficult to keep in an open society. Once the public questions over corruption happen, the democratic government has to response to the issue and to punish the wrongdoing. Thus, democracy level is likely to be negatively associated with the level of corruption.

$H_2$: Relatively low incomes increase the tendency of giving and taking bribes.

In countries where average incomes are low, corrupt behavior has a ‘structural incentive’ to get supplemental income.\textsuperscript{84} Especially, according to Wayne Sandholtz and William Koetzle, “the marginal value of money in a poor country is higher than in a rich country.”\textsuperscript{85} The bribe can be attractive to both giver and taker. Givers can take net

\begin{itemize}
\item\textsuperscript{81} Vaughn, Robert G. \textit{Transparency – the Mechanisms: Open Government and Accountability} Retrieved from http://usinfo.state.gov/journals/itdhcr/0800/ijde/vaughn.htm
\item\textsuperscript{83} Sandholtz, Wayne, and William Koetzle(2000), pp. 38
\item\textsuperscript{84} Rose-Ackerman, Susan(1999), pp.15
\item\textsuperscript{85} Sandholtz, Wayne, and William Koetzle(2000), pp. 37
\end{itemize}
additional income compensating the expense. Takers receive a direct increase in income. Underpaid bureaucrats are more likely to receive bribes than well-paid ones.

\[ H_3 \]: The higher the level of economic freedom, the lower the level of corruption.

Economic freedom is defined as “the absence of government coercion or constraint on the production, distribution, or consumption of goods and services.”\(^{86}\) Corruption is common in areas that lack economic freedom. Corruption is the cost of acquiring privileges that only the state can reserve and exercise.\(^{87}\) Corruption is the result of attempts to evade the restrictions or regulations that accompany the use of privileges.\(^{88}\) “Complicated regulations and weak rule of law” provide generous opportunities for public officials to accept bribes without punishment.\(^{89}\) Thus, economic freedom is inversely related with the level of corruption.

\[ H_4 \]: The more the civil society organizations grow, the less the level of corruption is.

Civil society organizations have acted as watchdogs and successfully kept away from uncertain allegiances around the state or in political areas.\(^{90}\) “Civil society can monitor whether politicians abide by their commitments of fighting corruption, or expose

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87 ibid, pp.3
90 OECD (2003), Fighting Corruption; What Role for Civil Society?, pp. 21 retrieved from www.oecd.org
corruption scandal and demand for investigations and sanctions."\textsuperscript{91} They mobilize the people and raise public awareness to awaken society to the disastrous effects of corruption.\textsuperscript{92} Thus, the growth of civil society organizations will be negatively associated with the level of corruption.

\textbf{H}_5 : More populous countries are likely to be less corrupt.

Country size is also an important source to explain corruption. In large countries, power elites can collect sufficient resources and distribute them to their people in order to maintain power, while in small countries, they don’t have enough wealth to induce peoples’ loyalties and thus civil servants have greater risks of involvement in corruption.\textsuperscript{93} At the same time, larger countries tend to have more decentralized systems and to respond to various peoples’ needs.\textsuperscript{94} Thus, countries with more population are likely to have less corruption.

\textbf{H}_6 : The more educated peoples are, the lower the level of corruption.

In general, education is regarded as a tool for fighting corruption. Since educated constituencies are more likely to distinguish corrupt behavior from honest behavior, education can contribute to reduced corruption. Thus, I hypothesizes that education is negatively associated with high corruption.

\textsuperscript{91} \textit{ibid}, pp.22
\textsuperscript{92} Shariati, Ali, \textit{Where shall we begin? Enlightened Thinkers ans Revolutionary Society} retrieved from http://www.multiworld.org/m_versity/althinkers/shariati.htm
1.5 Data Description

To begin my analysis of the factors which explain various levels of corruption, I use the Corruption Perception Index (CPI) provided by Transparency International (TI) as the dependent variable. TI is an international non-governmental organization which leads the fight against the corruption.\textsuperscript{95} According to TI, TI itself does not collect data on corruption. Instead, TI combines survey results from different organizations and assigns equal weights to sources which have been found to meet the criteria of reliability.\textsuperscript{96} TI merges assessments from the past three years “to reduce abrupt variations in scoring.”\textsuperscript{97} The CPI orders the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians. CPI is scaled from 0 (high corruption) to 10 (low corruption) and each country’s CPI score is the standardized average of its corruption scores. The critical advantage of using CPI is that it allows for cross-national comparison.

In order to analyze the impact of democracy on perceived levels of corruption, I chose the Freedom House Indexes of political rights and civil liberties. Freedom House Indexes are widely used (Sandholz and Koetzle, 2000; Ades and Di Tella, 1999; Montinola and Jackman, 2002). This political Rights Index includes “fair electoral process, political pluralism and participation and role of government”\textsuperscript{98}. The civil

\textsuperscript{95} http://www.transparency.org/
\textsuperscript{97} ibid, pp. 3
Liberties Index encompasses ‘freedom of expression and belief, associational and organizational rights, rule of law and personal autonomy and individual rights’.⁹⁹

To measure average income, I use real Gross Domestic Product per Capita based on Purchasing Power Parity (US dollars) provided by the International Monetary Fund.¹⁰⁰

I also adopt the annual Index of Economic Freedom provided by The Heritage Foundation and Wall Street Journal in order to scrutinize the relationship between economic freedom and corruption. This Index offers “a framework for understanding how open countries are to competition; the degree of government intervention in the economy; and the strength and independence of a country’s judiciary to put into effect rules and protect private property.”¹⁰¹ This index runs from 1 to 5: A score of 1 indicates most conducive environment to economic freedom, while a score of 5 indicates least conducive environment to economic freedom,¹⁰²

The Johns Hopkins Global Civil Society Index (GCSI) is used for analyzing the impact of growth of civil society on the level of corruption. GCSI focuses on three dimensions; “capacity, sustainability and impact.”¹⁰³ Capacity includes ‘the extent of paid employment and volunteer employment, the amount of charitable contribution and the degree of diversification of the civil society sector’. Sustainability contains ‘self-generated income, government support, popular support and legal environment.’ Impact

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consists of ‘value-added economic contribution, human service contribution, contribution to advocacy and expression, popular commitment and performance.’\(^{104}\)

To control for country size effects, I include the natural logarithm of population in 2000 in the model. Population data was acquired from World Bank.\(^{105}\) Also, I will use net enrollment rate (%) at primary and secondary level provided by World Bank\(^{106}\) in order to measure the relationship between education and corruption.

\(^{104}\) ibid, pp. 67-75


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<td>2006</td>
<td>186</td>
<td>1.00</td>
<td>7.00</td>
<td>3.16</td>
<td>1.82</td>
</tr>
<tr>
<td>GDP¹⁰⁹</td>
<td>Gross Domestic Product based on purchasing-power-parity (PPP) valuation of country GDP (billions of US dollars)</td>
<td>2000</td>
<td>180</td>
<td>0.19</td>
<td>9679.14</td>
<td>251.40</td>
<td>908.07</td>
</tr>
<tr>
<td>GDP per Capita</td>
<td>Gross Domestic Product based on purchasing-power-parity (PPP) per capita GDP (US dollars)</td>
<td>2000</td>
<td>179</td>
<td>110.35</td>
<td>46360.39</td>
<td>6192.80</td>
<td>9309.00</td>
</tr>
<tr>
<td></td>
<td>Economic Freedom Index the absence of government coercion or constraint on the production, distribution, or consumption of goods and services (Range: 1-5, 1 = free, 5 = Repressed)</td>
<td>2000</td>
<td>160</td>
<td>1.40</td>
<td>5.00</td>
<td>3.20</td>
<td>0.81</td>
</tr>
<tr>
<td>GCSI¹¹¹</td>
<td>Global Civil Society Index</td>
<td>2000</td>
<td>34</td>
<td>19.00</td>
<td>74.00</td>
<td>40.70</td>
<td>14.10</td>
</tr>
</tbody>
</table>

¹⁰⁷ Source: Transparency International  
¹⁰⁸ Source: Freedom House, Freedom in the World  
¹⁰⁹ Source: International Monetary Fund, World Economic Outlook  
¹¹⁰ Source: Heritage Foundation and the Wall Street Journal, 2006 Index of Economic Freedom  
¹¹¹ Source: Johns Hopkins Comparative Nonprofit Sector Project
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>181</th>
<th>15.57</th>
<th>20.96</th>
<th>10.70</th>
<th>1.95</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>logPop</strong>(^{112})</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>natural logarithm of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>population in 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Educ1</strong>(^{113})</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net enrollment rate (%)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>at primary level</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Educ2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net enrollment rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>at secondary level</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>125</th>
<th>83.11</th>
<th>99.95</th>
<th>25.26</th>
<th>18.37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Employee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of economically</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>active population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Volunteer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of economically</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>active population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of economically</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>active population)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>


Primary level is the number of pupils (total, male, female) in the theoretical age group for primary education enrolled in primary education expressed as a percentage of the (total, male, female) population in that age group.
Chapter II

2.1 Data Analysis

In order to test my hypothesis, I analyze a set of multivariate models.

Models 1 and 5 include political factors and economic factors using for 2000 and 2006. Economic factors are strongly in accord with my expectations. Holding other factors constant, an additional 1,000 U.S dollar of Real GDP per capita is predicted to increase CPI (that is, decrease of corruption) by the proportion of 12.7 percent in 2000 and 8.3 percent in 2006 (both at p<0.01). Holding other factors constant, an additional point of EFI (less freedom) is associated with the decrease of CPI by 0.48 in 2000 (p<0.05) and 0.91 in 2006 (p<0.01)\textsuperscript{114}.

However, political factors are not consistent with my hypothesis. Political rights lose significance both in 2000 and 2006. Only civil liberties in 2000 are significant (p<0.05) and negatively associated with CPI. That is, holding other factors constant, an additional point of civil liberties (less freedoms that protect the individual from government) are predicted to decrease CPI (more corrupt) by 0.66. The interesting fact is that political rights have an opposite direction unlike my expectation, but no significance.

\textsuperscript{114} These results are a little different after removing heteroskedasticity (Model 9) showing EFI variables are not significant any more.
### Table 2: Multivariate Regression Analysis Explaining Level of Perceived Corruption

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>Intercept</td>
<td>6.39 (0.83)</td>
<td>5.18 (1.85)</td>
</tr>
<tr>
<td>Political Rights</td>
<td>0.27 (0.17)</td>
<td>0.22 (0.3)</td>
</tr>
<tr>
<td>Civil Liberties</td>
<td>-0.66** (0.23)</td>
<td>-0.84** (0.4)</td>
</tr>
<tr>
<td>Real GDP per Capita</td>
<td>0.00012*** (0.000016)</td>
<td>0.00009** (0.00003)</td>
</tr>
<tr>
<td>Economic Freedom</td>
<td>-0.48* (0.25)</td>
<td>-0.32 (0.57)</td>
</tr>
<tr>
<td>Civil Society</td>
<td>0.04* (0.02)</td>
<td>0.04* (0.02)</td>
</tr>
<tr>
<td>Country Size</td>
<td>-0.05 (0.17)</td>
<td>-0.23 (0.22)</td>
</tr>
<tr>
<td>Education Primary</td>
<td>0.09 (0.05)</td>
<td></td>
</tr>
<tr>
<td>Education Secondary</td>
<td>-0.02 (0.04)</td>
<td></td>
</tr>
<tr>
<td>Number of Observation</td>
<td>87</td>
<td>32</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.77</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Note: *, **, *** indicate significance levels at 10, 5, and 1% respectively.
In order to explain this embarrassing phenomenon, I used simple regression and found interesting fact. Only at politically free countries, increase of political right reduces CPI (Table 3). Interestingly, at politically partly free countries, increases of political rights augment the level of corruption. One possibility to explain this phenomenon is that indiscreet quantitative augmentation participation, without qualitative mature, may even impede the activities against corruption.
[Table 3] Simple Regression analysis explaining the relationship between Political Rights and CPI.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free (PR:1<del>2) Partly Free (PR:3</del>5) Not Free (PR:6~7) Total</td>
<td>Free (PR:1<del>2) Partly Free (PR:3</del>5) Not Free (PR:6~7) Total</td>
</tr>
<tr>
<td>Intercept</td>
<td>9.00 (0.88) 1.01 (1.68) 4.67 (3.86) 6.9 (0.36)</td>
<td>9.07 (0.71) 1.76 (0.77) 6.14 (2.26) 6.02 (0.27)</td>
</tr>
<tr>
<td>Political Rights</td>
<td>-2.26*** (0.64) 0.58 (0.41) -0.31 (0.61) -0.74*** (0.10)</td>
<td>-2.70*** (0.52) 0.35** (0.20) -0.51 (0.35) -0.56*** (0.07)</td>
</tr>
<tr>
<td>Number of Observation</td>
<td>49 26 14 89</td>
<td>67 50 42 159</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.19 0.08 0.02 0.38</td>
<td>0.29 0.06 0.05 0.32</td>
</tr>
</tbody>
</table>

Note: *, **, *** indicate significance levels at 10, 5, and 1% respectively.
I found some evidence from Model 2 that civil society can help reduce the corruption. Holding political and economic factors fixed, an additional point of GSCI is predicted to increase CPI by 0.04 (p<0.05). However, EFI is not significant any more. In the Model 3, I add the Country Size and Education variables. With the Country Size variable controlled, all of other variables retain their significance. Civil Society factors are still significant with the same coefficient. The Country size variable does not achieve statistical significant and the adjusted R² rises marginally.

As I mentioned, GSCI includes three factors; Capacity, Sustainability and Impact. I want to know what contribution the civil society sector is making toward reducing corruption. This dimension is exceedingly difficult to measure in a meaningful way. To get around this obstacle, I use ‘percentage of adult population working in advocacy and expressive fields’ as an alternative explanatory variable.

[Table 4] Multivariate Regression Analysis Explaining Level of Perceived Corruption (With Social Impact Variable)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 7</th>
<th>Model 8</th>
<th>Model 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>6.05 (1.48)</td>
<td>5.78 (2.51)</td>
<td>8.50 (4.89)</td>
</tr>
<tr>
<td>Political Factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Rights</td>
<td>0.11 (0.27)</td>
<td>0.12 (0.27)</td>
<td>-0.29 (0.37)</td>
</tr>
<tr>
<td>Civil Liberties</td>
<td>-0.56 (0.37)</td>
<td>-0.57 (0.38)</td>
<td>0.09 (0.53)</td>
</tr>
<tr>
<td>Economic Factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP per Capita</td>
<td>0.0001*** (0.00003)</td>
<td>0.0001*** (0.00003)</td>
<td>0.00003*** (0.00004)</td>
</tr>
<tr>
<td>Economic Freedom Index</td>
<td>-0.51 (0.51)</td>
<td>-0.53 (0.55)</td>
<td>-1.91*** (0.82)</td>
</tr>
<tr>
<td>Civil Society Factors</td>
<td>Impact 0.67*** (0.3)</td>
<td>0.68*** (0.31)</td>
<td>0.95*** (0.37)</td>
</tr>
</tbody>
</table>
In Model 7 and 8, even though the coefficients are slightly different, civil society factors are highly significant. Holding other variables constant, an additional percentage of adult population working in advocacy and expressive fields are predicted to increase CPI by 0.68 (p<0.01). In Model 9 adding education variables, the coefficient rises to 0.95.

In analyzing this, I hit upon a curious idea which is more affective to reduce corruption paid employees or volunteers? According to GSCI, while volunteers reduce corruption, paid employees cannot reduce corruption. But, those factors are not significant.

Unlike my expectation, country size is not associated with a reduction in corruption. In addition, net school enrollment rates are also not associated with reducing corruption.

### 2.2 Implication

There is broad agreement that corruption impedes development and undermines the foundation of democracy. What causes the corruption? I have presented an empirical model that the level of corruption is affected by political, economic and civil society factors, and I have examined data. My results have several implications.
The first important conclusion is that substantial, not superficial, participation does matter. It is misunderstanding that democracy or participation suffocates corruption automatically. Indiscreet quantitative augmentation of opportunities of participation which is not accompanied with qualitative mature can not help lowering the level of corruption, but reproduce another corruption at competitions for the political power. In order to both quantitative expansion and qualitative growth, civic education through institution and civil society should be necessary. Civil society organizations have to provide the citizens with credible information and monitoring mechanism. Through the civic education, the quality of citizens should be increased.

Secondly, economic development accompanied with economic freedom reduces corruption. Lots of regulation restraining economic freedom will be opportunities for corruption. The lack of economic freedom will increase the transaction cost, and will be obstacles for legal transaction.115

Third, enhancing civil liberties can help curb corruption. How can civil liberties be enhanced? Laws and regulation are not the only tools. These tools should be supplemented by the innovative mechanism, including ‘international, multi-stakeholder collaboratives’.116

These results that I presented verify that high levels of civic participation can reduce the levels of corruption. How, then, can civic participation be enhanced?

First, the cost of participation should be reduced. The Internet provides citizens with low-cost opportunities for participation. New voices are heard, and effective actions are

communicated with and concentrated through the Internet. Seminars, conferences, and workshops are also effective ways of exposing severe corruption and scandal, building coalitions amongst anti-corruption supporters.

Second, the institutional and organizational capacity of civil society should be augmented. Civil society should have more opportunity to mobilize funding and hire highly motivated professionals. At the same time, civil society should be transparent and obtain accountability through the high degree of public scrutiny. Civil society cannot be immune to corruption.

Third, government should create an encouraging environment for civic participation through decentralization. International agencies should also support governments adopting the environment conducive for civic participation.

My research showed that increases in civic participation, as well as political and economic factors, can reduce the level of corruption. However, this research has some limitations. First, most researchers that used the Corruption Perception Index recognize that ‘the perception is not the same as the actual corruption’. Yet, because it is very difficult to ask those who involved in wrongdoing, CPI based on polls about perception will be the second-best solution to gauge the level of corruption. Second, because of the lack of good data, this research may oversimplify the civic participation variable. In addition, specific activities (anti-corruption) may not be identical with general civic

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118 Morris, Stephen D. (2006), Disaggregating Corruption: A Comparison of Participation and Perceptions in Latin America and Mexico, pp. 4
participation. To collect sufficient data around the world that can be both time-series study as well as cross-sectional remains essential for future research.

2.3 Conclusion

Every society has its own problems. As the society becomes more complicated, the causes and effects of the problems become more complex. The typical example is corruption. Myriads of researchers have tried to explain the cause and effect of corruption. However, no one can find a clear answer. Mine is also one of these restrictive studies. I found that political, economic and civil society factors affect the level of corruption. And civic participation reduced corruption significantly through the cross-sectional study.

From time memorial, there have been anti-corruption activities. Even though there has been severe punishment for corruptors, corruption has not been eradicated. This fact suggests that prevention against corruption, not post-control, is even more effective way. Open process through diverse participation can make society transparent. Participation, however, can not a panacea for reducing corruption, but a possibility. Participation accompanied with high levels of education, sharing of information and responsibility for the results of participation can lead to substantial ‘better society’ and ‘good governance’.
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