

## ***Political Institutions and Corruption: The Role of Unitarism and Parliamentarism***

JOHN GERRING AND STROM C. THACKER\*

A raft of new research on the causes and effects of political corruption has emerged in recent years, in tandem with a separate, growing focus on the effects of political institutions on important outcomes such as economic growth, social equality and political stability. Yet we know little about the possible role of different political institutional arrangements on political corruption. This article examines the impact of territorial sovereignty (unitary or federal) and the composition of the executive (parliamentary or presidential) on levels of perceived political corruption cross-nationally. We find that unitary and parliamentary forms of government help reduce levels of corruption. To explain this result, we explore a series of seven potential causal mechanisms that emerge out of the competing centralist and decentralist theoretical paradigms: (1) openness, transparency and information costs, (2) intergovernmental competition, (3) localism, (4) party competition, (5) decision rules, (6) collective action problems, and (7) public administration. Our empirical findings and our analysis of causal mechanisms suggest that centralized constitutions help foster lower levels of political corruption.

Causal explanations of political corruption and governance abound, as do studies of the effects of different political institutional arrangements on important outcomes such as economic growth, social equality and political stability. Yet relatively little attention has been paid to the theoretical and empirical links between corruption and governance, on the one hand, and political institutions, on the other. This article addresses this gap in the literature by developing a series of hypotheses linking political institutions and political corruption, assessing the empirical impact of different constitutional arrangements on levels of corruption around the world, and offering a theoretical explanation of the causal paths between institutions and corruption.

Causal analyses of corruption typically fall into one of three broad categories. The first focuses on societal and historical factors, such as: economic development and the structure of the economy;<sup>1</sup> population density;<sup>2</sup> geography, mineral wealth

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<sup>1</sup> See M. S. Alam, 'Theory of Limits on Corruption and Some Applications', *Kyklos*, 48 (1995), 419–35; Abhijit Banerjee, 'A Theory of Misgovernance', *Quarterly Journal of Economics*, 112 (1997), 1289–1332; Jean-Jacques Laffont and Tchetche N'Guessan, 'Competition and Corruption in an Agency Relationship', *Journal of Development Economics*, 60 (1999), 271–95; and Mick Moore, 'Political Underdevelopment: What Causes "Bad Governance"?' *Public Management*, 3 (2001), 385–418.

<sup>2</sup> See Jared Diamond, *Guns, Germs, and Steel: The Fates of Human Societies* (New York: Norton, 1997); and Jeffrey Herbst, *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, N.J.: Princeton University Press, 2000).

and 'unearned' taxes;<sup>3</sup> the timing and process of state formation;<sup>4</sup> colonial legacies;<sup>5</sup> social heterogeneity;<sup>6</sup> clientelism, cronyism, patrimonialism, and social inequality;<sup>7</sup> religion;<sup>8</sup> gender;<sup>9</sup> social trust and social capital;<sup>10</sup> a strong, independent and well-attended

<sup>3</sup> See Alberto Ades and Rafael Di Tella, 'Rents, Competition and Corruption', *American Economic Review*, 89 (1999), 982–93; C. Leite and J. Weidmann, 'Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth' (Washington, D.C.: IMF Working Paper no. 99/85, 1999); Mick Moore, 'Death Without Taxes: Democracy, State Capacity, and Aid Dependency in the Fourth World', in Mark Robinson and Gordon White, eds, *The Democratic Developmental State: Politics and Institutional Design* (Oxford: Oxford University Press, 1998), pp. 84–125; Jeffrey D. Sachs and Andrew Warner, 'Fundamental Sources of Long-run Growth', *American Economic Review*, 87 (1997), 184–8; Jeffrey D. Sachs and Andrew Warner, 'Sources of Slow Growth in African Economies', *Journal of African Economies*, 6 (1997), 335–76; Daniel S. Treisman, 'The Causes of Corruption: A Cross-National Study', *Journal of Public Economics*, 76 (2000), 399–457; and Shang-Jin Wei, 'Natural Openness and Good Government' (National Bureau of Economic Research, Working Paper No. 7765, 2000).

<sup>4</sup> See Bert F. Hoselitz, 'Performance Levels and Bureaucratic Structures', in Arnold J. Heidenheimer, ed., *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart, 1970), pp. 76–81, esp. p. 78; Robert W. Jackman, *Power without Force: The Political Capacity of Nation-States* (Ann Arbor: University of Michigan Press, 1993); and Colin Leys, 'New States and the Concept of Corruption', in Heidenheimer, ed., *Political Corruption*, pp. 341–5.

<sup>5</sup> See Alberto Chong and Luisa Zanforlin, 'Law, Tradition and Institutional Quality: Some Empirical Evidence', *Journal of International Development*, 12 (2000), 1057–68; Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert W. Vishny, 'The Quality of Government', *Journal of Economics, Law and Organization*, 15 (1999), 222–79; Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton, N.J.: Princeton University Press, 1996); and Treisman, 'The Causes of Corruption'.

<sup>6</sup> See William Easterly and Ross Levine, 'Africa's Growth Tragedy: Policies and Ethnic Divisions', *Quarterly Journal of Economics*, 112 (1997), 1203–50; Paolo Mauro, 'Corruption and Growth', *Quarterly Journal of Economics*, 110 (1995), 681–712; Torsten Persson, Gerard Roland and Guido Tabellini, 'Separation of Powers and Political Accountability', *Quarterly Journal of Economics*, 112 (1997), 1163–202; James C. Scott, 'Patron-Client Politics and Political Change in Southeast Asia', in Steffen W. Schmidt, ed., *Friends, Followers, and Factions: A Reader in Political Clientelism* (Berkeley: University of California Press, 1977), pp. 123–47; James C. Scott, *Comparative Political Corruption* (Englewood Cliffs, N.J.: Prentice-Hall, 1972), p. 80; and Andrei Shleifer and Robert W. Vishny, 'Corruption', *Quarterly Journal of Economics*, 108 (1993), 599–617.

<sup>7</sup> See Christopher Clapham, *Private Patronage and Public Power: Political Clientelism in the Modern State* (New York: St. Martin's, 1982); Donatella della Porta and Alberto Vannucci, *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption* (New York: Aldine de Gruyter, 1999); S. N. Eisenstadt and Rene Lemarchand, *Political Clientelism, Patronage and Development* (Beverly Hills: Sage, 1981); Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, Mass.: Harvard University Press, 1993); David C. Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002); Simona Piattoni, ed., *Clientelism, Interests, and Democratic Representation: The European Experience in Historical and Comparative Perspective* (Cambridge: Cambridge University Press, 2001); Raghuram G. Rajan and Luigi Zingales, 'The Tyranny of Inequality', *Journal of Public Economics*, 76 (2000), 521–58; Steffen W. Schmidt, ed., *Friends, Followers, and Factions: A Reader in Political Clientelism* (Berkeley: University of California Press, 1977); and James C. Scott, *Comparative Political Corruption* (Englewood Cliffs, N.J.: Prentice-Hall, 1972).

<sup>8</sup> See Edward C. Banfield and James Q. Wilson, *City Politics* (Cambridge, Mass.: Harvard University Press, 1963); Seymour Martin Lipset and Gabriel Salman Lenz, 'Corruption, Culture, and Markets,' in Lawrence E. Harrison and Samuel P. Huntington, eds, *Culture Matters: How Values Shape Human Progress* (New York: Basic Books, 2000), pp. 112–25; Wayne Sandholtz and William Koetzle, 'Accounting for Corruption: Economic Structure, Democracy, and Trade', *International Studies Quarterly*, 44 (2000), 31–50; and Treisman, 'The Causes of Corruption'.

<sup>9</sup> See Anand Swamy, Stephen Knack, Young Lee and Omar Azfar, 'Gender and Corruption', *Journal of Development Economics*, 64 (2001), 25–55.

<sup>10</sup> See Carles Boix and Daniel Posner, 'Social Capital: Explaining Its Origins and Effects on Government Performance', *British Journal of Political Science*, 28 (1998), 686–93; Valerie Braithwaite and Margaret Levi, eds, *Trust and Governance* (New York: Russell Sage, 1998); Robert D. Putnam, with Robert Leonardi, and

media;<sup>11</sup> and political culture.<sup>12</sup> Another genre studies the role of public policies, including tax structures, trade policy, revenue and expenditures, and regulatory burdens.<sup>13</sup> A third line of analysis highlights the role of international actors and the organization and management of the public sector – including compensation rates, bureaucratic recruitment, anti-corruption commissions, independent monitors, ombudsmen, accounting procedures, judicial reform, enforcement mechanisms and various other techniques of corruption control.<sup>14</sup>

(F<sup>note continued</sup>)

Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, N.J.: Princeton University Press, 1993); William Easterly Ritzén and Michael Woolcock, 'On "Good" Politicians and "Bad" Policies: Social Cohesion, Institutions, and Growth' unpublished paper (World Bank, 2002); and Susan Rose-Ackerman, 'Trust, Honesty, and Corruption: Reflections on the State-Building Process', *Archives of European Sociology*, 42 (2001), 27–71.

<sup>11</sup> See Alicia Adsera, Carles Boix and Mark Payne, 'Are You Being Served? Political Accountability and Quality of Government' (Inter-American Development Bank, Working Paper No. 438, 2000); Aymo Brunetti and Beatrice Weder, 'A Free Press Is Bad News for Corruption', WWZ Discussion Paper No. 9809 (Basel: Wirtschaftliches Zentrum der Universität Basel, 1998); Tim Fackler and Tse-mim Lin, 'Political Corruption and Presidential Elections, 1929–1992', *Journal of Politics*, 57 (1995), 971–93; Pier Paolo Giglioli, 'Political Corruption and the Media: The Tangentopoli Affair', *International Social Science Journal*, 48 (1996), 381–94; John G. Peters and Susan Welch, 'The Effects of Charges of Corruption on Voting Behavior in Congressional Elections', *American Political Science Review*, 74 (1980), 697–708; and Frank Vogl, 'Curbing Corruption: The Media's Work' (Berlin and London: Transparency International Working Paper, 1999).

<sup>12</sup> See Edward C. Banfield, *The Moral Basis of a Backward Society* (New York: The Free Press, 1958); Lawrence E. Harrison, *Who Prospers? How Cultural Values Shape Economic and Political Success* (New York: Basic Books, 1992); Bryan W. Husted, 'Wealth, Culture, and Corruption', *Journal of International Business Studies*, 30 (1999), 339–60; Michael Johnston, 'Right and Wrong in American Politics: Popular Conceptions of Corruption', *Polity*, 18 (1992), 367–91; Victor T. LeVine, *Political Corruption: The Ghana Case* (Stanford, Calif.: Hoover Institution, 1975); Michael Taylor, 'Good Government: On Hierarchy, Social Capital and the Limitations of Rational Choice Theory', *Journal of Political Philosophy*, 4 (1996), 1–28; Howard J. Wiarda, *The Soul of Latin America: The Cultural and Political Tradition* (New Haven, Conn.: Yale University Press, 2001); and Ronald Wraith and Edgar Simpkins, *Corruption in Developing Countries* (New York: W. W. Norton, 1963).

<sup>13</sup> Reviewed in John Gerring and Strom C. Thacker, 'Do Neoliberal Policies Deter Political Corruption?' (paper presented at the Annual Meeting of the International Studies Association, New Orleans, 2002).

<sup>14</sup> See Alberto Ades and Rafael Di Tella, 'The New Economics of Corruption: A Survey and Some New Results', in Paul Heywood, ed., *Political Corruption* (Oxford: Basil Blackwell, 1997), pp. 80–99; Kaushik Basu, Sudipto Bhattacharya and Ajit Mishra, 'Notes on Bribery and the Control of Corruption', *Journal of Public Economics*, 48 (1992), 349–59; Timothy Besley and John McLaren, 'Taxes and Bribery: The Role of Wage Incentives', *Economic Journal*, 103 (1993), 119–41; Kimberly Ann Elliott, 'Introduction', in Elliott, ed., *Corruption and the Global Economy* (Washington: Institute for International Economics, 1997), pp. 1–6; Peter Evans and James Rauch, 'Bureaucracy and Growth: A Cross-National Analysis of the Effects of "Weberian" State Structures on Economic Growth', *American Sociological Review*, 64 (1999), 748–65; Fredrik Galtung, 'Criteria for Sustainable Corruption Control', in Mark Robinson, ed., *Corruption and Development* (London: Frank Cass, 1998); John A. Gardiner and Theodore R. Lyman, 'The Logic of Corruption Control', in Arnold J. Heidenheimer, Michael Johnson and Victor T. LeVine, eds, *Political Corruption: A Handbook* (New Brunswick, N.J.: Transaction Books, 1989), pp. 827–40; K. Gillespie and G. Okruhlik, 'The Political Dimension of Corruption Cleanups: A Framework for Analysis', *Comparative Politics*, 24 (1991), 77–95; Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, 1988); Robert Klitgaard, Ronald Maclean-Abaroa and H. Lindsey Parris, *Corrupt Cities: A Practical Guide to Cure and Prevention* (Oakland, Calif.: ICS Press, 2000); Aart Kraay and Caroline Van Rijckeghem, 'Employment and Wages in the Public Sector: A Cross-Country Study' (Washington, D.C.: IMF Working Paper no. 95/70, 1995); Francis T. Lui, 'A Dynamic Model of Corruption Deterrence', *Journal of Public Economics*, 31 (1986), 215–36; Anthony McFarlane, 'Political Corruption and Reform in Bourbon Spanish America', in Walter Little and Eduardo Posada-Carbo, eds, *Political Corruption in Europe and Latin America* (London: Macmillan, 1997), pp. 41–64; Dilip Mookherjee and I. P. L. Png, 'Corruptible Law Enforcers: How Should They Be Compensated?' *Economic Journal*, 105 (1995), 145–59; John L. Phelan, *The Kingdom of Quito in the Seventeenth Century: Bureaucratic Politics in the Spanish Empire* (Madison: University of Wisconsin Press,

Our interest here centres on a less-studied aspect of corruption: its relationship to basic-level political institutions. Although institutions are a favoured topic in contemporary political science and economics, and although formal, theoretical work on this topic is quite common, there have been few attempts to study the relationships between basic-level institutions and political corruption in an empirical, cross-national setting. Democracy is the exception, perhaps the only constitutional factor to be subjected to rigorous analysis. The general finding seems to be that more democracy – specifically, a longer experience with competitive, multi-party elections – fosters lower levels of corruption,<sup>15</sup> a finding we corroborate. Writers have also begun to address the relationship between electoral systems and corruption, but results thus far are highly equivocal.<sup>16</sup>

Here we focus on two constitutional factors of presumptive importance: territorial sovereignty (unitary or federal) and the composition of the executive (parliamentary or presidential). Our key concepts are *unitarism* and *parliamentarism*. The former refers to a political system where the national government is sovereign relative to its territorial units (if any). The latter refers to a system in which the executive is chosen by, and responsible to, an elective body (the legislature). (We also discuss proximate political factors such as political parties, electoral behaviour, legislatures, the organization of interests and other features that are to some extent endogenous relative to basic-level political institutions.) We argue that unitarism and parliamentarism are inversely correlated with political corruption, as measured cross-nationally with a variety of poll-based indicators. We argue, further, that this empirical relationship is a causal one; *ceteris paribus*, unitary and parliamentary polities (if at least minimally democratic) should experience lower levels of corruption. We interpret and explain this result as a function of a *centralist* model of governance. Fewer veto points and a more hierarchical arrangement of political institutions

(*F*'note continued)

1967); Canice Prendergast, 'Investigating Corruption' (unpublished paper, University of Chicago, 2000); James E. Rauch and Peter B. Evans, 'Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries', *Journal of Public Economics*, 75 (2000), 49–71; Susan Rose-Ackerman, 'The Economics of Corruption', *Journal of Public Economics*, 4 (1975), 187–203; Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999); Rick Stapenhurst and Sahr J. Kpundeh, eds, *Curbing Corruption: Toward a Model for Building National Integrity* (Washington, D.C.: World Bank, 1999); and Caroline Van Rijckeghem and Beatrice Weder, 'Corruption and the Rate of Temptation: Do Low Wages in the Civil Service Cause Corruption?' (Washington, D.C.: IMF Working Paper No. 97/93, 1997).

<sup>15</sup> See Gabriella R. Montinola and Robert W. Jackman, 'Sources of Corruption: A Cross-Country Study', *British Journal of Political Science*, 32 (2002), 147–70; Sandholtz and Koetzle, 'Accounting for Corruption'; and Treisman, 'The Causes of Corruption'.

<sup>16</sup> David P. Baron, 'Majoritarian Incentives, Pork Barrel Programs and Procedural Control', *American Journal of Political Science*, 35 (1991), 57–90; David P. Baron, 'Theories of Strategic Nonmarket Participation: Majority Rule and Executive Institutions' (Stanford University Graduate School of Business Research Paper No. 1564, 1999); Gianluigi Galeotti, 'On Proportional Nonrepresentation', *Public Choice*, 80 (1994), 359–70; Thomas D. Lancaster, 'Electoral Structures and Pork Barrel Politics', *International Political Science Review*, 7 (1986), 67–81; Alessandro Lizzeri and Nicola Persico, 'Provision of Public Goods Under Alternative Electoral Incentives', *American Economic Review*, 91 (2001), 225–39; Roger B. Myerson, 'Effectiveness of Electoral Systems for Reducing Government Corruption: A Game Theoretic Analysis', *Games and Economic Behaviour*, 5 (1993), 118–32; Roger B. Myerson, 'Incentives to Cultivate Favored Minorities Under Alternative Electoral Systems', *American Political Science Review*, 87 (1993), 856–69; Roger B. Myerson, 'Analysis of Democratic Institutions: Structure, Conduct, and Performance', *Journal of Economic Perspectives*, 9 (1995), 77–89; Torsten Persson, Guido Tabellini and Francesco Trebbi, 'Electoral Rules and Corruption' (unpublished paper, IIES, Stockholm University, 2000); and Ronald Rogowski, 'Pork, Patronage, and Protection: How Geographic Concentration Affects Representation of Interests in Small-district Systems' (paper presented at the Annual Meetings of the American Political Science Association, Washington, D.C., 1997).

foster lower levels of corruption and, in so far as corruption is indicative of governmental performance, better governance.<sup>17</sup>

We turn first to questions of concept definition and method of analysis, focusing on the general concept of corruption, our operational indicators of corruption, and the definitions and measurements of unitary and parliamentary political institutions. The following section presents our estimation procedures, findings and statistical diagnostics. The next section discusses a series of plausible causal pathways between political institutions and corruption that help explain the results presented in the article. The final section offers some empirical extensions and possible practical scenarios of political corruption under different institutional arrangements and compares the explanatory power of the institutional variables to economic ones.

#### CONCEPT AND METHOD

Most work on the topic of corruption can be characterized as either case study (the predominant motif in political science studies of corruption) or formal modelling (the favoured approach in economics).<sup>18</sup> Supplementing this venerable legacy, a third genre of analysis has now appeared, building upon cross-national surveys of corruption perceptions around the world. The new instrument has already spawned a raft of literature, but has yet to be fully exploited in multivariate analysis.<sup>19</sup> This study represents an extension of this new and promising line of research.

<sup>17</sup> Of course, corruption is not the sum-total of governance, but rather one important indicator of it. A government that refrains from doing wrong has taken only one step towards doing right. Corruption is, however, reasonably highly correlated with other measures of governance ( $r$  ranging from 0.80 to 0.94), including bureaucratic quality (data from PRS Consulting: Llewellyn D. Howell, *The Handbook of Country and Political Risk Analysis*, 2nd edn (Easy Syracuse, N.Y.: PRS Group, 1998), government effectiveness, and rule of law (data from Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, 'Aggregating Governance Indicators' (unpublished paper, World Bank, 1999); Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, 'Governance Matters' (unpublished paper, The World Bank, 1999)). Initial tests of our institutional variables reveal similar relationships with these other measures of governance as those found here with corruption. See John Gerring and Strom C. Thacker, 'State Capacity in Crossnational Perspective' (unpublished paper, Boston University, 2002).

<sup>18</sup> A review of recent literature in both fields is provided by Rose-Ackerman, *Corruption and Government* and Heidenheimer, Johnson and LeVine, eds, *Political Corruption: A Handbook*. Michael Johnston and Arnold J. Heidenheimer, eds, *Political Corruption: Concepts and Contexts* (New Brunswick: Transaction Books, 2002), review and compile influential work on the subject in political science. Work in economics is included in the massive compendium constructed by Gianluck Fiorentini and Stefano Zamagni, eds, *Economics of Corruption and Illegal Markets*, 3 vols. (Cheltenham, Glos.: Edward Elgar, 1999).

<sup>19</sup> To date, cross-national studies have integrated only a small portion of the world's country-cases, usually fifty or fewer (Treisman, 'The Causes of Corruption', defines the upper bound, with data for eighty-one cases, reduced to sixty-four in most regressions). With such limited coverage, existing studies pose severe problems of sample bias, leverage (influential cases), and mis-specification; see Kenneth A. Bollen and Robert W. Jackman, 'Regression Diagnostics: An Expository Treatment of Outliers and Influential Cases', *Sociological Methods and Research*, 13 (1985), 510–42; and Gary King, Robert O. Keohane and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton, N.J.: Princeton University Press, 1994). A second problem is that many studies have not included a full range of control variables in order to test adequately the hypotheses of interest. For both these reasons, results obtained by the recent generation of cross-national corruption regressions are, at best, incomplete.

*Dependent Variable: Political Corruption*

The term 'corruption' is notoriously difficult to define. The term overlaps with a wide field of neighbouring concepts such as bribery, campaign finance abuse, clientelism, cronyism, fraud, embezzlement, extortion, graft, kickbacks, machine politics, misappropriation, misconduct, nepotism, patronage, pork, rent-seeking, scandal, side payments, special interest politics, theft and venality. Indeed, corruption is frequently employed as a generic label for *any* sort of failure on the part of politics or politicians. If corruption means different things to different people, or different things in different places, we are faced with a recalcitrant subject matter, one that resists the kind of systematic cross-national scrutiny that has emerged in recent years and that we attempt here.<sup>20</sup>

We define corruption generally as an act that *subverts the public good for private or particularistic gain*. This general definition encapsulates most extant definitions and usages of the term in contemporary social science and in practical politics. It also carries considerable etymological weight. Corruption, Philp notes, 'is rooted in the sense of a thing being changed from its naturally sound condition, into something unsound, impure, debased, infected, tainted, adulterated, depraved, perverted, et cetera.'<sup>21</sup> If the public good (or public interest) is the contemporary manner of expressing the 'naturally sound condition' of a polity, then there is an important link between this minimal definition and the history of this key concept of Western thought.<sup>22</sup>

Because our interest here is in governmental or 'political' corruption, we employ a slightly narrower definition of this core concept. Political corruption, for the purposes of this article, is *an act by a public official (or with the acquiescence of a public official) that violates legal or social norms for private or particularistic gain*. More practically, when judging the corruption evident in one political setting against that found in another, two dimensions stand out: the *type* of corruption, and the *extent* of corrupt behaviour. In terms of the *type* of corruption, the more widespread, the more distinctly illegal, and the more damaging a corrupt act is, the more it exemplifies the ideal-type and the more clearly and easily it is labelled as corrupt. Thus, theft by public officials is probably the most egregious, and in this sense the most 'classic', instance of government corruption. (It is important to note that corruption does not always involve an exchange relationship; sometimes the beneficiary is an individual or group who take but give nothing in return.) Bribery, although more common, may have some redeeming features (at least some private party is pleased). Porkbarrel legislation, rent-seeking and patronage offer borderline cases of corruption, according to our definition. Such practices are usually legal, but they typically violate social norms and benefit particularistic interests. The *extent* of corruption within a government is best understood as a question of instances or spread. How many public officials are involved? How many agencies? How many citizens? These sorts of questions are usually easier to answer, and more consequential, than the complementary question of how much money is involved. Thus, if only a few leaders at the top are engaged in corrupt practices

<sup>20</sup> Michael Johnston, 'Comparing Corruption: Conflicts, Standards and Development' (paper presented to the XVI World Congress of the International Political Science Association, Berlin, 1994), p. 2; and Luigi Manzetti and Charles Blake, 'Market Reforms and Corruption in Latin America', *Review of International Political Economy*, 3 (1996), 662–97, p. 664.

<sup>21</sup> Mark Philp, 'Defining Political Corruption', in Paul Heywood, ed., *Political Corruption* (Oxford: Basil Blackwell, 1997), p. 29.

<sup>22</sup> Carl J. Friedrich, 'Corruption Concepts in Historical Perspective', in Heidenheimer, Johnson and LeVine, eds, *Political Corruption: A Handbook*, pp. 15–24; and J. G. A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton, N.J.: Princeton University Press, 1975).

and the bureaucracy as a whole is relatively clean we presume that the overall level of corruption in a country is relatively limited, despite the fact that the amount of money passing through quasi-legal channels may be quite large.<sup>23</sup>

The primary indicator of corruption used in this study is compiled from a wide variety of international polls by Kaufmann, Kraay and Zoido-Lobaton.<sup>24</sup> The advantages of the KKZ measure over others are its enormous breadth of coverage and the variety of sources employed in compiling the index, rendering it less susceptible to poll-specific or question-specific idiosyncrasies. The KKZ index covers 155 countries. Our analysis includes 125 of these cases (excluding countries with no semblance of multi-party competition), a sample that incorporates the vast majority of sovereign states with functional governments and sizeable populations.<sup>25</sup> The analysis centres on the late 1990s and encompasses all structural (non-proximal) factors that can be operationalized in reasonably convincing form across cultural and political boundaries. (For reasons of space, only a small fraction of these tests are reported in tabular form; we discuss several in the text, however.)

The main sources for the KKZ index are polls conducted by Standard and Poor's DRI (in conjunction with McGraw-Hill), The Economist Intelligence Unit, Political Risk Services (International Country Risk Guide), and the World Bank (in conjunction with the University of Basel). Polls, conducted in 1997–98, asked respondents to rate the general level of corruption among public officials, the effectiveness of anticorruption initiatives, the frequency of additional payments necessary to 'get things done', and corruption as an obstacle to foreign investment and domestic business enterprise. Naturally, questions varied from poll to poll.<sup>26</sup> Respondents were roughly evenly divided between two groups: (a) business people and/or residents of a country, and (b) experts (who were asked to rank countries on various dimensions). Polls differed as well in the number of countries included. The sources listed above had the largest samples and therefore carry greater weight in the index; other polls (not listed here) focused on smaller groups of countries (such as single continents). The authors construct the composite index from these individual surveys using an unobserved components model, which allows them to include reliable estimates for countries excluded from other datasets, such as Transparency International's index.<sup>27</sup> A complete list of countries, with their corruption scores, is included in Appendix A.

We also ran tests on the similar, more widely known but somewhat narrower Transparency International Corruption Perceptions Index (CPI), which offers data for a

<sup>23</sup> Kang, *Crony Capitalism*.

<sup>24</sup> Kaufmann, Kraay and Zoido-Lobaton, 'Aggregating Governance Indicators'; and Kaufmann, Kraay and Zoido-Lobaton, 'Governance Matters'.

<sup>25</sup> Our excluded cases consist largely of semi-sovereign territories, microstates, nations like Rwanda or Yugoslavia with no established political authority, and clearly authoritarian regimes. We discard authoritarian regimes because we are interested primarily in the influence of different democratic political institutions on governance (though, of course, the effectiveness of such institutions and the degree of democracy vary considerably, even across 'established' democracies). It would make little sense, for example, to distinguish between parliamentary and presidential systems in strict authoritarian regimes. We also discard several cases due to incomplete data for one or more independent variables, bringing the number of observations in our basic equation to 125. Additional tests are conducted on a smaller number of more fully democratic countries.

<sup>26</sup> Regrettably, it was not possible to obtain disaggregated survey results (question by question). Most of the data was obtained by KKZ from consulting agencies, which had proprietary interests in keeping the results in aggregate form.

<sup>27</sup> For more detailed descriptions of this and other variables, see Appendix B.

total of 125 cases (reduced to 105 once autocracies and cases with missing data are removed). The CPI measure attempts to assess the degree to which public officials in particular countries are involved in corrupt practices, collating results from up to twelve individual surveys (the number varies from year to year and country to country), including many of the same ones used by KKZ. We replicate all empirical tests conducted on the KKZ index with the CPI variable. Not surprisingly (given the duplication in the polls used as primary data sources), the KKZ and CPI indices are highly correlated (Pearson's  $r = 0.933$ ), and yield substantially the same results.<sup>28</sup>

These two empirical indicators of corruption are thus both broadly gauged – both are ‘polls of polls’ – and our broad definition of corruption appropriately reproduces this generality. To be sure, one could construct a more disaggregated set of dependent variables (if the data were publicly available), since the surveys ask a variety of specific questions about a country's political practices. However, it is questionable whether lay respondents can meaningfully differentiate between closely related phenomena such as graft, pork, and special-interest lobbying. This may be asking too much of the mass public, or even of business people.<sup>29</sup> We *can* reasonably expect that the responses to these poll questions broadly capture the sense in which politics in a country compromises the public interest for private gain, for which we reserve the term ‘corruption’. This is a general question that most citizens around the world are probably prepared to answer and this, we argue, is how most poll-based corruption indices ought to be interpreted.<sup>30</sup>

One might question whether perceptions of corruption as judged by survey responses accurately reflect an empirical reality (actual, existing corruption). It could be that

<sup>28</sup> The pros and cons of international corruption indices, and the CPI indicator in particular, are discussed in Elliott, *Corruption and the Global Economy*; Heywood, *Political Corruption*; Arvind K. Jain, ed., *Economics of Corruption* (Boston, Mass.: Kluwer, 1998); Michael Johnston, ‘The New Corruption Rankings: Implications for Analysis and Reform’ (paper prepared for the International Political Science Association meetings, Quebec, 2000); and Robinson, *The Democratic Developmental State*.

<sup>29</sup> ‘Expert’ surveys offer more hope in this regard, but these comprise only a portion of the surveys used here and in other cross-national corruption polls. The additional difficulty is that such surveys may reflect accepted wisdom among the academic community, rather than personal experience.

<sup>30</sup> This interpretation also vitiates a potentially severe problem of cross-cultural equivalence. Our definition of corruption is crafted on usage within Western (and more specifically, English) contexts. We cannot necessarily assume that this minimal definition applies equally to cognates in other languages (see Johnston, ‘Comparing Corruption’; and Holger Moroff and Verena Blechinger, ‘Corruption Terms in the World Press: How Languages Differ’ (paper prepared for the International Political Science Association meetings, Quebec, 2000). The assumptions, rather, are that (a) a *concept* of corruption roughly equivalent to the English meaning of this word exists in most places around the world, and (b) this concept is reflected in poll responses to various specific questions about politics in a given country. Inter-coder reliability – both within and between countries – is high, and survey results confirm standard academic work. It is no surprise, for example, to discover Denmark at the top of the KKZ index (least corrupt) and Niger at the bottom. In other words, there is general agreement among academics and lay respondents about which countries are corrupt, which are clean, and how the countries of the world rank against each other in this regard. Poll respondents are also weighted heavily towards business people, experts and urban dwellers – in short, the better-educated citizens of the world's nation-states. These are precisely the citizens who are likely to be most attuned to diffusionist forces in global culture. We do not suppose, and do not need to suppose, that the same concept of corruption is shared by all members of all countries under study. We suppose, rather, that the same general concept is shared by a large portion of the world's elite (see David H. Bayley, ‘The Effects of Corruption in a Developing Nation’, in Heidenheimer, Johnson and LeVine, eds, *Political Corruption: A Handbook*, pp. 935–52, at pp. 938–9; Klitgaard, *Controlling Corruption*, p. 3; Joseph LaPalombara, ‘Structural and Institutional Aspects of Corruption’, *Social Research*, 61 (1994), 325–50, p. 336; Joseph S. Nye, ‘Corruption and Political Development: A Cost-Benefit Analysis’, in Heidenheimer, Johnson and LeVine, eds, *Political Corruption: A Handbook*, pp. 963–84, at p. 967; Sandholtz and Koetzle, ‘Accounting for Corruption: Economic Structure, Democracy, and Trade’, p. 35; and Scott, *Comparative Political Corruption*, p. 8).



perceptions measure precisely that – perceptions – and nothing more. There is no question that corruption is to some extent, here and everywhere, a matter of perception. Yet it seems unlikely that perceptions and realities are greatly at variance. Broad-based, internally consistent survey responses in a country are likely to be a reflection of personal or secondhand experiences (the experiences of people whom one personally knows). In a thoroughly corrupt regime, for example, virtually everyone will have encountered some aspect of that corruption. In a thoroughly clean regime, by contrast, such experiences will be correspondingly rare. Thus, although perceptions may deviate from realities at the margins, we do not expect to find wide divergences.<sup>31</sup>

It should be noted that assumptions about relative levels of corruption cross-nationally already imbue the field of comparative politics (and, indeed, everyday political discourse around the world). Single-country studies cannot avoid cross-country comparisons, for such comparisons are built into our language and are implicit in any description of that country's politics. To say that corruption is rife in Country A is to imply that it is more corrupt than some other set of countries. From this perspective, we have been judging the extent of corruption across national borders since their inception. At a minimum, cross-national corruption indices have enabled us to codify and systematize these commonsense judgements, allowing us to plumb the implications of what is apparent (even if it cannot be proved). Additionally, many of the expert respondents in corruption surveys are the same authors responsible for our rich set of case studies on these countries.

To clarify, cross-national indicators are not intended to replace case study research, but rather to complement it. The proper employment of such indicators is to measure what can reasonably be measured, and to systematize those judgements that are broadly comparative in nature. As in most large-*N*, statistical studies, advantages of breadth compensate for sacrifices of depth. Since reliable, large-scale, cross-national corruption polls are a relatively recent phenomenon, we are limited to a cross-sectional analysis of the data.

### *Independent Variables: Unitarism and Parliamentarism*

We hypothesize that unitarism and parliamentarism lead to lower levels of political corruption, all other things being equal. By *unitarism* we refer to a political system where the national government is sovereign relative to its territorial units (if any). We conceptualize unitarism as a continuum that varies along two dimensions: (a) the *degree of separation* (independence) between national and subnational units, and (if any

<sup>31</sup> Impressions of corruption are also influenced by media reports, which are themselves influenced by the presence (or absence) of high-level prosecutions and convictions. One or two prominent scandals may have profound short-term effects on popular impressions of a regime (Andrei S. Markovits and Mark Silverstein, eds, *The Politics of Scandal: Power and Process in Liberal Democracies* (New York: Holmes & Meier, 1988). It is quite possible that corruption is overestimated in 'clean' regimes by virtue of exacting anti-corruption laws, aggressive prosecution, alert press coverage and hypersensitive publics. It is possible, by the same token, that corruption is underestimated in corrupt regimes by virtue of the absence of these factors. Thus, we might anticipate that the true spread among countries is somewhat wider than that reported in Appendix A. Similarly, it is conceivable that responses to surveys are constrained in non-democratic settings. While we cannot address these measurement problems directly, we exclude strict authoritarian regimes from our analysis and include numerous measures of democracy in the estimations. Overall, we suspect that these distortions are not extreme, since various operationalizations of democracy all emerge significant in the multivariate analysis. Finally, we also conduct a weighted-least-squares (WLS) analysis of the KKZ data to account for the variable reliability of data from different countries (see below).

separation at all) (b) the *relative power* of the two players (the more power the centre possesses, the more unitary the system). Of the many institutional factors that may determine variation along these dimensions, two predominate: territorial governments (with substantial legislative power), and bicameralism. Since these two traits are highly correlated (though not coterminous), and since one never finds a strong bicameral system in a unitary state (federalism is the necessary, though not sufficient, cause of strong bicameralism), we treat them as measurable aspects of a single concept. We operationalize unitarism as an additive variable with two components: non-federalism and non-bicameralism.

Territorial government ('federalism') refers to a permanent and highly institutionalized sharing of responsibilities between a national authority and semi-autonomous regional units. Since this sharing of responsibilities takes a variety of forms and is not always formally prescribed (or is ambiguous in formal-constitutional terms), we construct three coding categories: 1, non-federal; 2, semi-federal (where there are elective legislatures at the regional level but in which constitutional sovereignty is still reserved to the national government); and 3, federal (elective regional legislatures plus constitutional recognition of subnational authority).<sup>32</sup>

Bicameralism refers to the sharing of policy-making power between two chambers at the national level. Bicameralism, like unitarism itself, varies across two dimensions: (a) the relative power of the two bodies (symmetrical if they are roughly equal in power, asymmetrical if the lower house dominates) and (b) the composition of the two bodies (congruent if the partisan distribution is roughly the same, incongruent if it is different). Since, like federalism, bicameralism is often a matter of degrees, we code cases into three categories, according to the predicted degree of asymmetry and incongruence: 0, unicameral (no or weak upper house); 1, weak bicameral (upper house has some effective veto power, though not necessarily a formal veto); and 2, strong bicameral (same as above but the two houses are also incongruent).<sup>33</sup>

We construct the unitarism variable by adding the scores of each country together on these two components (territorial government and bicameralism) and reversing the scale, thus creating a scale from 1 to 5 (see Appendices A and B). In a fully unitary state, territorial units (if any) have no constitutional standing, no independently elected territorial legislature, no specific policy purviews reserved to them, and minimal revenue-raising authority. A non-unitary ('federal') state has the opposite characteristics.<sup>34</sup>

*Parliamentarism* refers to a system of government in which the executive (the prime minister and cabinet: collectively, 'the government') is chosen by, and responsible to, an elective body (the legislature), thus creating a single locus of sovereignty at the national level. Presidentialism, its contrary, is a system where policy-making power is divided

<sup>32</sup> Principal sources: J. Denis Derbyshire and Ian Derbyshire, *Political Systems of the World* (New York: St. Martin's, 1996); *The Europa World Yearbook*; Daniel J. Elazar, ed., *Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements* (Detroit: Gale Research, 1991); and Ronald Watts, *Comparing Federal Systems in the 1990s* (Montreal: McGill-Queen's University Press, 1997).

<sup>33</sup> Principal sources: Samuel C. Patterson and Anthony Mughan, eds, *Senates: Bicameralism in the Contemporary World* (Columbus: Ohio State University Press, 1999); and George Tsebelis and Jeannette Money, *Bicameralism* (Cambridge: Cambridge University Press, 1997). We use a 0–2 coding scale for bicameralism (as opposed to the 1–3 scale used for territorial government) to make the additive unitarism variable more easily interpretable.

<sup>34</sup> According to these criteria, the opposite of a unitary state is a federal, bicameral one. For brevity's sake, we generally refer to this case in the text as 'federal', though, of course, not all constitutionally federal states are necessarily bicameral.

between two directly elected bodies, the legislature and the president. These two concepts represent poles at each end of a continuum, which may be conceptualized along two dimensions: (a) the *degree of separation* (independence) between president and parliament (unity = parliamentary; separation = presidential), and – if there is any separation at all – (b) the *relative power* of the two players (the more power the president possesses the more presidential is the resulting system). We capture this complex reality with a three-part coding scheme: 1, presidential; 2, semi-presidential; 3, parliamentary (see Appendix A for coding of cases).<sup>35</sup>

We anticipate that the effects of political institutions on governance outcomes will register over a period of years and may not have immediate effects. Therefore, our coding for these variables represents the predominant political arrangement in a country over the two decades prior to our outcome measurements (1997–98 for KKZ and 1997 for CPI), not the current status. (We introduce lags for other independent variables where appropriate to minimize endogeneity problems.)

## RESULTS

Our analysis includes all nation-states for which data were available, except those in which there were no multiparty elections in the two decades before 1997–98 or in which elections do not confer sovereign power on an elected body.<sup>36</sup> (Wherever the sovereign political body is unelected, or where electoral choice among candidates is not allowed, the institutional aspects of governance take on a very different form.) We employ a lenient standard for inclusion of ‘democratic’ countries in the first cut, in order to construct a more difficult test for our institutional variables, which presumably should exert greater impact in more democratic countries. Subsequent tests employ stricter criteria for inclusion in the sample of democratic countries. Our tests of the KKZ index employ weighted-least-squares regression (WLS), using as a weight the inverse of the standard error provided for each observation by KKZ.<sup>37</sup> We use standard ordinary-least-squares (OLS) regression on the CPI variable.<sup>38</sup>

Model specification presents complex challenges. A valid analysis of non-proximate causal variables hinges on the correct identification of relevant controls. In the case of cross-national corruption empirics this is not an easy task. The field is relatively new, so there is no settled ‘benchmark’ equation or set of well-established causal variables from

<sup>35</sup> Primary sources: George E. Delury, ed., *World Encyclopedia of Political Systems and Parties*, 3 vols. (New York: Facts on File, 1999); Derbyshire and Derbyshire, *Political Systems of the World*; Larry Diamond, *Developing Democracy: Toward Consolidation* (Baltimore, Md.: The John Hopkins University Press, 1999); Robert Elgie, *Semi-presidentialism in Europe* (Oxford: Oxford University Press, 1999); Saur Bower, *International Year Book and Statesmen’s Who’s Who*, 48th edn (East Grinstead, Sussex: Kelly’s Directories, 2001); and Mark P. Jones, *Electoral Laws and the Survival of Presidential Democracies* (Notre Dame, Ind.: University of Notre Dame Press, 1995).

<sup>36</sup> This last requirement excludes cases such as Jordan, where multiparty elections have been held but where a non-elected authority (the King, in this case) has wielded effective sovereign power.

<sup>37</sup> This technique gives greater weight to those observations with less variance among the different data sources used by KKZ.

<sup>38</sup> We use the expanded CPI dataset provided by Johann Graf Lambsdorff, ‘Corruption in Comparative Perception’, in Jain, ed., *Economics of Corruption*, pp. 81–109, one of the principal authors of Transparency International’s Corruption Perceptions Report. This more than doubles the number of country-cases available, but does not provide variance information, thus precluding the use of WLS for this version of the CPI data. (The standard CPI dataset, covering fifty-two countries for 1997, does provide variance data.)

TABLE 1 *Political Institutions and Political Corruption: Multivariate Tests*

Estimator variables	KKZ Index						CPI					
	1†	2‡	3§	4	5‡	6	1†	2‡	3§	4	5‡	6
Unitarism	-0.073*** (0.024)	-0.069*** (0.026)	-0.054** (0.022)	-0.194*** (0.064)	-0.212*** (0.067)	-0.182*** (0.064)	-0.073*** (0.024)	-0.069*** (0.026)	-0.054** (0.022)	-0.194*** (0.064)	-0.212*** (0.067)	-0.182*** (0.064)
Parliamentarism	-0.148*** (0.054)	-0.122** (0.058)	-0.214*** (0.046)	-0.296** (0.128)	-0.215 (0.134)	-0.378*** (0.129)	-0.148*** (0.054)	-0.122** (0.058)	-0.214*** (0.046)	-0.296** (0.128)	-0.215 (0.134)	-0.378*** (0.129)
GDP/cap (1970-95, ln)	-0.400*** (0.056)	-0.433*** (0.057)	-0.356*** (0.040)	-0.823*** (0.163)	-0.907*** (0.174)	-0.803*** (0.162)	-0.400*** (0.056)	-0.433*** (0.057)	-0.356*** (0.040)	-0.823*** (0.163)	-0.907*** (0.174)	-0.803*** (0.162)
Energy imports	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)
Protestantism	-0.007*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)	-0.020*** (0.006)	-0.020*** (0.006)	-0.026*** (0.005)	-0.007*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)	-0.020*** (0.006)	-0.020*** (0.006)	-0.026*** (0.005)
English legal origin	-0.194* (0.110)	-0.239** (0.114)	-0.104 (0.086)	-0.407 (0.307)	-0.475 (0.317)	-0.231 (0.308)	-0.194* (0.110)	-0.239** (0.114)	-0.104 (0.086)	-0.407 (0.307)	-0.475 (0.317)	-0.231 (0.308)

Socialism	0.402*** (0.108)	0.403*** (0.115)	0.355*** (0.106)	0.347 (0.310)	0.484 (0.312)	0.427 (0.291)
Democracy (1900–95)	– 0.005** (0.002)	– 0.004* (0.002)	– 0.005*** (0.002)	– 0.023*** (0.007)	– 0.019*** (0.007)	– 0.019*** (0.005)
Constant	3.099***	3.265***	2.960***	2.774***	2.979**	2.651**
<i>N</i>	125	109	101	105	94	89
<i>R</i> <sup>2</sup> (adjusted)	0.8018	0.8041	0.8559	0.7776	0.7867	0.8425
<i>F</i>	93.75	83.17	109.37	66.63	66.37	121.46
<i>Prob. &gt; F</i>	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

*Notes:* White robust standard errors in parentheses. See Appendix B for variable definitions. All tests on the KKZ Index employ weighted-least-squares regression, while those on the CPI employ ordinary least squares. \* Significant at 10%; \*\* Significant at 5%; \*\*\* Significant at 1%.

† The benchmark equation.

‡ Restricted to democratic and quasi-democratic cases (Political Rights, 1995 ≤ 5).

§ Restricted to democratic and quasi-democratic cases (Political Rights, 1995 ≤ 5), outliers (Bahamas, Belgium, Chile, Cyprus, Niger, Papua New Guinea, Republic of Congo, Singapore).

|| Restricted to democratic and quasi-democratic cases (Political Rights, 1995 ≤ 5) and excludes outliers (Bahamas, Belgium, Ethiopia, Lebanon, Singapore).

which to launch new research. Consequently, we reviewed and tested a wide range of possible factors for possible use as controls. These included the following broad areas: geography and demography, economics (such as raw gross domestic product (GDP), per capita GDP, trade openness, value added in industry, value added in agriculture, agricultural labour as percentage of labour force, family farms as percentage of total farm holdings), mineral wealth, legal origin (English, French, German, Scandinavian, socialist), duration of sovereignty (date of independence), religion (percentage Buddhists, Catholics, Muslims or Protestants), democracy (variously measured), and ethnic heterogeneity.<sup>39</sup>

Due to the large number of possible control variables and the limited number of observations (both in part a function of the novelty of this genre of research), it was not possible to incorporate all possible variables into a single estimation procedure. Instead, we used a two-pronged approach to guide our selection of control variables. The first consideration was conceptual: are there sound theoretical reasons for including a particular control variable? The second was empirical: does this variable exhibit a strong, robust empirical effect on corruption? Theory guided the former, while a series of empirical tests determined the latter. Empirically, we tested each possible control variable in multiple different specifications and using alternative operationalizations (wherever possible), in order to give each factor the best possible chance of reaching the 0.10 threshold of significance on a reliable basis.

Table 1 lists results of the final regressions, designed to test variations of the same general argument.<sup>40</sup> The KKZ index of corruption forms the dependent variable for Equations 1–3, and the CPI measure forms the dependent variable for Equations 4–6. Each set of equations follows the same sequence of specifications (Equation 1 is equivalent to Equation 4, and so forth). We regard the first pair (Equations 1 and 4) of these specifications as the most plausible tests of the true causal effects of unitarism and parliamentarism. We refer to Equation 1 (column 1 in Table 1), with the larger sample and weighted analysis, as the benchmark equation. Other regressions provide diagnostic tests of this benchmark. The KKZ analysis includes 125 cases, while the CPI includes 105; for this reason alone we regard the findings in Equations 1–3 as somewhat more reliable. Given the high degree of correlation between the two indices, it is not surprising to find the results quite similar with respect to our primary variables of interest, with the only exception a slight weakening of the parliamentarism variable's significance in Equation 5. (More significant differences are found in the performance of other variables, due at least partly, we suspect, to the difference in sample sizes.)

The general results for all specifications are strong. Each equation is highly significant

<sup>39</sup> There are a myriad ways of operationalizing ethnic heterogeneity. We tested quite a few, including ethnolinguistic fractionalization (Mauro, 'Corruption and Growth', data from *Atlas Narodov Mira* described in Peter C. Ordeshook and Olga V. Shvetsova, 'Ethnic Heterogeneity, District Magnitude, and the Number of Parties', *American Journal of Political Science*, 38 (1994), 100–23); the percentage of the total population belonging to the largest ethnic group (Tatu Vanhanen, *The Process of Democratization: A Comparative Study of 147 States, 1980–88* (New York: Crane Russak, 1990)); the percentage of the population not speaking the official language; the percentage of the population not speaking the most widely used language; the probability of two randomly selected individuals speaking different languages, and the average value of different indices of ethnolinguistic fractionalization (the latter three indices are drawn from Easterly and Levine, 'Africa's Growth Tragedy'). In contrast to claims by Mauro, 'Corruption and Growth', and Shleifer and Vishny, 'Corruption', we found no evidence of a causal relationship between ethnic heterogeneity and political corruption.

<sup>40</sup> We tested numerous other specifications, both broader (including the wide range of controls listed above) and narrower. The results reported in Table 1 are those that met the theoretical and empirical criteria listed in the previous paragraph.

as a whole, as evidenced by the  $F$  ratios listed in Table 1. The adjusted  $R^2$  ranges between 0.78 and 0.86 for the six specifications. In other words, the various models explain roughly 78 to 86 per cent of the variance in corruption across the cases analysed here.

Six control variables are included in all analyses by reason of their statistical significance and well-established theoretical expectations: *GDP per capita* (natural log in PPP dollars, averaged over the 1970–95 period), *energy imports* (net), *Protestantism* (percentage Protestants in the general population), *English legal origin* (former English colony), *socialism* (current or former), and *democracy* (cumulative number of years democratic since 1900).<sup>41</sup> Since all of these variables have appeared in recent cross-national work, and since their causal roles are fairly widely accepted, we offer only a brief interpretation of their role in corruption here.

Economic development must be accounted for in any analysis of corruption, particularly one that draws comparisons between country-cases of widely differing economic levels. As expected, higher levels of per capita income lower perceived levels of political corruption significantly. Results for this variable are uniformly strong across all specifications. Since we anticipate some endogeneity between economic growth and political corruption, we measure per capita GDP as a twenty-five year average. Even so, the effects registered for this variable probably overstate its true causal impact due to the well-known circularity between economic growth and political corruption.<sup>42</sup> Removing this endogeneity effect, assuming one could do so, is unlikely to weaken (and may even strengthen) the performance of the political-institutional variables that comprise our primary focus.

A growing literature attests to the deleterious long-term effects of mineral resources on economic performance and on the development of state capacity,<sup>43</sup> an effect we capture with the energy imports variable. Net energy exporters have a greater tendency to exhibit high levels of corruption. Put differently, net energy importers (the variable used here), because they do not rely on high levels of mineral resource production, tend to enjoy lower levels of political corruption. Our findings in Table 1 confirm this hypothesis. Protestantism has been shown by most recent studies to be strongly and negatively associated with corruption,<sup>44</sup> a finding confirmed by our results. Relatedly, a legacy of

<sup>41</sup> Other specifications for democracy, including the degree of democracy as measured by various indicators (such as, Freedom House, Polity), demonstrated similar though somewhat weaker tendencies. Because of its relatively greater explanatory power, its clearer exogeneity and the potential for collinearity problems with other democracy variables, we give results only for the years democratic variable here.

<sup>42</sup> The literature on this subject is voluminous; among recent work, see Alberto Ales and Rafael Di Tella, 'National Champions and Corruption: Some Unpleasant Interventionist Arithmetic', *Economic Journal*, 197 (1997), 1023–42; Philip Keefer and Stephen Knack, 'Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation', *Economic Inquiry*, 35 (1997), 590–602; Mauro, 'Corruption and Growth'; and Paulo Mauro, 'The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis', in Kimberly Ann Elliott, ed., *Corruption and the Global Economy* (Washington, D.C.: Institute for International Economics, 1997).

<sup>43</sup> Ales and Di Tella, 'The New Economics of Corruption'; Kiren Aziz Chaudhry, *The Price of Wealth: Economics and Institutions in the Middle East* (Ithaca, N.Y.: Cornell University Press, 1997); Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997); Leite and Weidmann, 'Does Mother Nature Corrupt?'; Moore, 'Death Without Taxes'; Sachs and Warner, 'Fundamental Sources of Long-run Growth'; Sachs and Warner, 'Sources of Slow Growth in African Economies'; John Toye and Mick Moore, 'Taxation, Corruption and Reform,' in Mark Robinson, ed., *Corruption and Development* (London: Frank Cass, 1998), pp. 60–84; Treisman, 'The Causes of Corruption'; and Wei, 'Natural Openness and Good Government'.

<sup>44</sup> La Porta, Lopez-de-Silanes, Shleifer and Vishny, 'The Quality of Government'; Lipset and Lenz, 'Corruption, Culture, and Markets'; Persson, Tabellini and Trebbi, 'Electoral Rules and Corruption'; Sandholtz and Koetzle,

English colonialism seems to lead to cleaner government in the contemporary era.<sup>45</sup> At least for the KKZ index, Table 1 again confirms this argument, though the effect loses significance if we exclude outliers (Equation 3). Socialism is generally acknowledged as an independent factor in political corruption.<sup>46</sup> In our analysis, socialism appears to lead to higher levels of political corruption, at least for the KKZ index.

Democracy, finally, plays an important role in this process. This effect is stronger when the concept is operationalized as 'number of years democratic', rather than according to the actual degree or level of democracy today. As with other political-institutional variables, the influence of democracy on governance should be understood through its cumulative rather than immediate effects. We follow Treisman here, except that we code this variable over the course of the twentieth century rather than simply over the post-war era.<sup>47</sup> The results are fairly conclusive: long-term democratic rule tends to lead to lower levels of political corruption across the world.

With respect to the variables of primary interest, the findings are strong: unitarism and parliamentarism mitigate political corruption.<sup>48</sup> With both the KKZ and CPI indices as dependent variable, the coefficients for unitarism and parliamentarism are signed in the expected direction and highly significant (at the 0.05 level or better), with the sole exception of parliamentarism in Equation 5 (where  $p > |t| = 0.113$ ), as discussed below.<sup>49</sup> When tested in different specifications and on different samples of countries, these apparent causal effects are as robust as, and in some cases much more robust than, the control variables in our equation. (Interestingly, these two political-institutional variables show virtually no intercorrelation,  $r = 0.035$ . While linked conceptually, these two variables are apparently not united empirically.) If these statistical tests are valid, and if the underlying theoretical arguments are plausible (a matter addressed at length below), we can conclude that serious analysis of the underlying causes of political corruption must take political institutions into account along with other factors rooted in natural resources, culture, ideology, colonial heritage and democracy. We discuss implications and applications of these findings in greater detail below.

Equations 2, 3, 5 and 6 provide alternative specifications to assess the robustness

(*F*'note continued)

'Accounting for Corruption'; and Treisman, 'The Causes of Corruption'; see also Banfield and Wilson, *City Politics*, p. 41.

<sup>45</sup> La Porta, Lopez-de-Silanes, Shleifer and Vishny, 'The Quality of Government'; Treisman, 'The Causes of Corruption: A Cross-National Study'. See also Dietrich Rueschemeyer, Evelynne Huber Stephens and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), p. 281.

<sup>46</sup> See John M. Kramer, 'Political Corruption in the USSR'; Wayne DiFranceisco and Zvi Gitelman, 'Soviet Political Culture and Modes of Covert Influence'; and Alan P. L. Liu, 'The Politics of Corruption in the People's Republic of China', all in Heidenheimer, Johnson and LeVine, eds, *Political Corruption: A Handbook*, pp. 449–66, 467–88, and 489–512 respectively; Xiaobo Lu, 'Booty Socialism, Bureaupreneurs, and the State in Transition: Organizational Corruption in China'; *Comparative Politics*, 32 (2000), 273–96; and Federico Varese, 'The Transition to the Market and Corruption in Post-socialist Russia', in Paul Heywood, ed., *Political Corruption* (Oxford: Basil Blackwell, 1997), pp. 163–80.

<sup>47</sup> Treisman, 'The Causes of Corruption: A Cross-National Study'.

<sup>48</sup> This substantiates the tentative findings contained in Treisman, 'The Causes of Corruption: A Cross-National Study' with respect to federalism (Treisman does not test the effects of parliamentarism).

<sup>49</sup> As an additional test, we regressed the same independent variables against the recently released KKZ corruption index, compiled for 2000–01 (Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, 'Governance Matters II: Updated Indicators for 2000/01', unpublished paper, World Bank, 2002). Results for our political-institutional variables were as strong or stronger in all model specifications. We use the earlier (1997–98) KKZ data in the main analysis because its time frame more closely matches that of the available independent variables.



of the benchmark equation (Equation 1) and its CPI equivalent (Equation 4). Equations 2 and 5 exclude the less democratic cases within the sample, those with Political Rights scores of 6 or 7 (on a scale from 1 to 7, 7 being the least democratic).<sup>50</sup> This is, of course, a highly permissive interpretation of democracy, but it fits our theoretical model, which defines democracy simply as multiparty competition. This change does not affect the overall results, except for weakening the result for parliamentarism when using the CPI measure of corruption (perhaps due to the smaller sample size). The less and recently democratic cases among our full sample do not appear to bias our initial results.

Standard regression diagnostics reveal no evidence of unusual patterns in the error term or strong relationships among the independent variables (collectively or individually), so we retain the assumptions of homoscedasticity and non-collinearity. But in order to assess the leverage of influential cases, Equations 3 and 6 exclude eight and five outliers, respectively, identified by residuals analysis, in addition to the least democratic cases (as in Equations 2 and 5). Though we regard Equations 1 and 4 as preferable, justifications might be found for excluding these cases; they are generally fairly exceptional, as nation-states go. The removal of these outliers has little effect on our variables of interest, except to make parliamentarism statistically significant again in the CPI estimation (Equation 6). Whether we regard these outliers as cases or as anomalies, substantive results remain unchanged.

A more complex set of diagnostics concerns the problem of model specification. Table 1 displays only those control variables that have strong *prima facie* causal claims and pass reasonable statistical thresholds of significance. It is certainly possible that we have omitted a control variable that is theoretically justified, despite falling short of statistical significance. If this additional variable has important effects on our variables of primary interest then our substantive conclusions may be in jeopardy. In order to assess this potential difficulty, we incorporated a wide range of additional variables (singly and in small combinations) into the regressions and examined their effects on unitarism and parliamentarism. Controls included various measures of education, inequality, population, population density, urbanization, ethnic heterogeneity, GDP composition (agriculture, industry, etc.), labour force composition, communications (newspapers, radios, televisions), voting turnout, political instability, government stability, date of national independence, cultural orientation (Buddhism, Catholicism, Islam), and various regional dummies (Africa, Asia, Southern Asia, Latin America, Caribbean, Middle East, Western Europe). We also tested alternative operationalizations of the core variables in our benchmark equation (such as additional democracy indices), wherever possible. The performances of unitarism and parliamentarism were robust in the face of each of these specification tests.

#### CAUSAL PATHWAYS

The empirical evidence presented here strongly suggests that unitarism and parliamentarism contribute to a lowering of political corruption in polities that are democratic or

<sup>50</sup> To control for the fact that some countries in our dataset have only recently turned democratic (recall our argument that the relationship between corruption and institutions often takes shape over a long period of time), we also conducted various tests excluding countries whose average Political Rights scores from 1978 to 1995 exceeded various thresholds. The outcomes of these tests, though somewhat weaker in some cases (due at least in part to small sample size), confirm our general results. For explanations of the Freedom House coding procedure, see their website at [www.freedomhouse.org/research/freeworld/2000/methodology.htm](http://www.freedomhouse.org/research/freeworld/2000/methodology.htm).

quasi-democratic. Why might this be so? What are the plausible causal links between these statistical correlations?

Before broaching these issues we must clarify several points about our argument and, consequently, the relevance of various genres of evidence. First, our definition of unitarism is a *constitutional* one, pertaining to formal arrangements of power between national governments and regional governments, the most important of which is the existence of regional assemblies with important policymaking power. Unitarism is thus quite different from administrative decentralization, fiscal decentralization, or other sorts of decentralization and has nothing (theoretically) to do with the powers of local government.<sup>51</sup> Indeed, unitary government is perfectly compatible with administrative decentralization, fiscal decentralization and strong local government.<sup>52</sup> Thus, whether other forms of decentralization contribute to good governance, as claimed by the 'fiscal federalism' paradigm is outside the scope of our inquiry.<sup>53</sup> Unitary governments can (and often do) institute fiscal-federal policies.<sup>54</sup>

Secondly, discussion of parliamentarism and presidentialism has often been coloured by a somewhat misleading comparison between presidents and legislatures *within* presidential systems. It is often observed, for example, that presidents are responsible to a national constituency while legislators respond to local constituencies, lending the latter a narrow, 'porkbarrel' vision of politics while the former attempts to protect long-range, general interests.<sup>55</sup> Not surprisingly, it is presidents, not congressional leaders, who have usually been in the forefront of far-reaching policy reforms, particularly when those reforms imposed costs on powerful constituencies.<sup>56</sup> A second approach to this question compares presidential systems under conditions of unified and divided party control. Findings are equivocal, but often show little difference between the quality of governance under these two circumstances.<sup>57</sup> With respect to these two modes of analysis our rejoinder

<sup>51</sup> See Aaron Schneider, 'Decentralisation and the Poor' (paper presented at the Annual Meetings of the American Political Science Association, Boston, Mass., 2002); and Daniel S. Treisman, 'Decentralization and the Quality of Government' (unpublished paper, UCLA Department of Political Science, 2000).

<sup>52</sup> The correlation between unitarism and one measure of expenditure decentralization (Raymond Fisman and Roberta Gatti, 'Decentralization and Corruption: Evidence across Countries', unpublished paper downloaded from <http://www.worldbank.org/wbi/governance/pubs/wps2290.htm>, 2000) is roughly 0.44 across sixty-five cases.

<sup>53</sup> Richard Bird and François Vaillancourt, eds, *Fiscal Decentralization in Developing Countries* (Cambridge: Cambridge University Press, 1998), pp. 12–15; Shahid Javed Burki, Guillermo E. Perry and William Dillinger, *Beyond the Center: Decentralizing the State, Pre-Publication Conference Edition*, World Bank Latin American and Caribbean Studies Viewpoints (Washington, D.C.: World Bank, 1999); Fisman and Gatti, 'Decentralization and Corruption'; Jeff Huther and Anwar Shah, 'Applying a Simple Measure of Good Governance to the Debate on Fiscal Decentralization' (World Bank Operations Evaluation Department Policy Research Working Paper No. 1894, 1998); Wallace E. Oates, *Fiscal Federalism* (New York: Harcourt, Brace, Jovanovich, 1972); Teresa Ter-Minassian, ed., *Fiscal Federalism in Theory and Practice* (Washington, D.C.: International Monetary Fund, 1997); and Barry R. Weingast, 'The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development', *Journal of Law, Economics, and Organization*, 11 (1995), 1–31.

<sup>54</sup> We cite the fiscal federalism literature in the following discussion since many of these writers appear to intend their arguments to cover both constitutional and non-constitutional issues of power decentralization. However, we do not cite empirical results from this line of inquiry if the indicators of decentralization rely on some measure other than constitutional federalism (e.g., fiscal decentralization).

<sup>55</sup> Morris Fiorina, *Congress: Keystone of the Washington Establishment* (New Haven, Conn.: Yale University Press, 1977); and David R. Mayhew, *Congress: The Electoral Connection* (New Haven, Conn.: Yale University Press, 1974).

<sup>56</sup> Gary Cox and Scott Morgenstern, 'Latin America's Reactive Assemblies and Proactive Presidents', *Comparative Politics*, 33 (2001), 171–89; and Stephan Haggard and Mathew D. McCubbins, eds, *Presidents, Parliaments, and Policy* (Cambridge: Cambridge University Press, 2001).

<sup>57</sup> José Antonio Cheibub, 'Minority Governments, Deadlock Situations, and the Survival of Presidential Democracies', *Comparative Political Studies*, 35 (2002), 284–312; and David R. Mayhew, *Divided We Govern: Party Control, Lawmaking, and Investigations, 1946–1990* (New Haven, Conn.: Yale University Press, 1991).

is simple: *legislatures behave differently in parliamentary systems than they do in presidential systems* (regardless of whether the two branches are under divided or unified party control), for reasons noted above. Thus, comparing the performance of presidents and legislatures, or of both branches under different electoral circumstances, is not necessarily relevant to our theoretical concerns.

Thirdly, in addressing the complex question of causal pathways it is worth noting that although unitarism and parliamentarism are quite different institutions, one pertaining to spatial unity and the other to unity at the national level, they have quite similar political and policy-making ramifications. Unitarism and parliamentarism *centralize* political power, thus reducing the number of potential veto points (or points of access),<sup>58</sup> while federalism and presidentialism *decentralize* power. In a decentralized polity, power is formally divided between the executive and the legislature, between national and subnational units, and between two legislative bodies. Secondary effects are myriad, but may be summarized as follows. Both federalism and presidentialism empower the judiciary,<sup>59</sup> multiply the number and reduce the size of interest groups (towards a 'pluralist' style of interest intermediation),<sup>60</sup> strengthen MP/constituency ties, and weaken national political parties.<sup>61</sup> Presidentialism (but not federalism) diffuses power within the legislature, weakening the power of party leaders and empowering backbenchers.<sup>62</sup> Federalism and presidentialism thus create a more fragmented political system where decision-making capacities are diffused among a wide array of semi-independent actors.

This much is generally agreed upon. Disagreement arises over the effects presumed to

<sup>58</sup> We use the term 'veto points' loosely as a way of representing the power of individuals and groups to influence governmental actions, even if they cannot, by themselves, put an end to such action. Our use of the term is thus similar to the notion of 'access points'. For a somewhat different rendering of the concept, see George Tsebelis, *Veto Players: How Political Institutions Work* (Princeton, N.J.: Princeton University Press, 2002).

<sup>59</sup> Kenneth M. Holland, *Judicial Activism in Comparative Perspective* (New York: St Martin's Press, 1991).

<sup>60</sup> Graham K. Wilson, 'Interest Groups and the Constitution,' in Peter F. Nardulli, ed., *The Constitution and American Political Development: An Institutional Perspective* (Urbana: University of Illinois Press, 1992), pp. 207–33.

<sup>61</sup> Shaun Bowler, David M. Farrell and Richard S. Katz, eds, *Party Discipline and Parliamentary Government* (Columbus: Ohio State University Press, 1999); Dawn Brancati, 'Decentralization and Political Parties' (paper presented at the Annual Meetings of the American Political Science Association, Boston, Mass., 2002); John M. Carey, 'Getting Their Way, or Getting in the Way? Presidents and Party Unity in Legislative Voting' (paper presented at the Annual Meetings of the American Political Science Association, Boston, Mass., 2002); William Chandler, 'Federalism and Political Parties', in Herman Bakvis and William M. Chandler, eds, *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), pp. 149–70; Gary W. Cox, *The Efficient Secret: The Cabinet and the Development of Political Parties in Victorian England* (Cambridge: Cambridge University Press, 1987); Leon D. Epstein, 'A Comparative Study of Canadian Parties', *American Political Science Review*, 58 (1964), 46–59; Kenneth Janda, 'The American Constitutional Framework and the Structure of American Political Parties', in Nardulli, ed., *The Constitution and American Political Development*, pp. 179–206; Charles I. Jones, 'On the Evolution of the World Income Distribution', *Journal of Economic Perspectives*, 11 (1997), 19–36; Scott Mainwaring and Matthew Soberg Shugart, eds, *Presidentialism and Democracy in Latin America* (Cambridge: Cambridge University Press, 1996); Peter Ordeshook, 'Russia's Party System: Is Russian Federalism Viable?' (California Institute of Technology Social Science Working Paper 962, 1996); David J. Samuels, 'The Gubernatorial Coattails Effect: Federalism and Congressional Elections in Brazil', *Journal of Politics*, 62 (2000), 240–53; Matthew Soberg Shugart and John M. Carey, *Presidents and Assemblies: Constitutional Design and Electoral Dynamics* (New York: Cambridge University Press, 1992); and David B. Truman, 'Federalism and the Party System', in Arthur W. MacMahon, ed., *Federalism: Mature and Emergent* (New York: Columbia University Press, 1955), pp. 115–36.

<sup>62</sup> John D. Lees and Malcolm Shaw, eds, *Committees in Legislatures: A Comparative Analysis* (Durham: Duke University Press, 1979); and Michael L. Mezey, *Comparative Legislatures* (Durham: Duke University Press, 1979).

flow from the centralization or decentralization of political power. This is to say, there is very little consensus on the causal mechanisms or pathways running from these institutional features to corruption (or its presumed opposite, good governance). Centralists find the concentration of power (within a democratic framework) to be conducive to good governance, while decentralists are convinced that a consolidation of power usually leads to malfeasance.

These directly opposing perspectives on democratic governance rest on very different assessments of the key concept of *accountability*.<sup>63</sup> Advocates of decentralism argue that effective accountability stems from local-level relationships between voters in a district and their chosen representative(s), as well as from competition among rival political institutions with overlapping mandates, who serve to check and balance one another. Bureaucratic accountability is assured through multiple principals, semi-independent agencies carrying strict and highly specific mandates, and overlapping jurisdictions, such that bureaucrats check and balance one another and offer a benchmark to measure each other's performance. This model of accountability builds on the intellectual lineage provided by the theories of the separation of power<sup>64</sup> and federalism,<sup>65</sup> as well as the latter-day school of 'pluralism'<sup>66</sup> and many (but not all) in the public choice tradition.<sup>67</sup>

By contrast, advocates of a centralized political order argue that effective accountability arises from a highly structured relationship between voters and political parties and from the relatively clear lines of authority instituted by a centralized political apparatus. Voters can judge the extent to which politicians fulfil their promises, know whom to praise or to blame for the state of current affairs, and can respond accordingly. The appointive bureaucracy is accountable to only one master, the cabinet. This model of accountability builds on the exemplar provided by the British 'Westminster' system and on the arguments and analysis of 'responsible party government'.<sup>68</sup> The centralist model, although rarely

<sup>63</sup> For discussion of this protean concept, see Robert D. Behn, *Rethinking Democratic Accountability* (Washington, D.C.: Brookings Institution, 2000).

<sup>64</sup> M. J. C. Vile, *Constitutionalism and the Separation of Powers* (Indianapolis: Liberty Fund, 1998).

<sup>65</sup> Sobei Mogi, *The Problem of Federalism* (London: G. Allen & Unwin, 1931).

<sup>66</sup> Arthur Bentley, *The Process of Government* (Cambridge, Mass.: Harvard University Press, The Belknap Press, 1967); Robert A. Dahl, *Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956); Robert A. Dahl, *Who Governs? Democracy and Power in an American City* (New Haven, Conn.: Yale University Press, 1961); Robert A. Dahl, *Pluralist Democracy in the United States* (Chicago: Rand McNally, 1967); Pendleton Herring, *The Politics of Democracy: American Parties in Action* (New York: W. W. Norton, 1940); P. Q. Hirst, ed., *The Pluralist Theory of the State: Selected Writings of G. D. H. Cole, J. N. Figgis, and H. J. Laski* (London: Routledge, 1989); and Truman, 'Federalism and the Party System'.

<sup>67</sup> Philippe Aghion, Alberto Alesina and Francesco Trebbi, 'Endogenous Political Institutions' (unpublished paper, Harvard University Department of Economics, 2002); Geoffrey Brennan and Alan Hamlin, 'A Revisionist View of the Separation of Powers', *Journal of Theoretical Politics*, 6 (1994), 345–68; James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor: University of Michigan Press, 1962); Thomas H. Hammond and Gary J. Miller, 'The Core of the Constitution', *American Political Science Review*, 81 (1987), 1155–74; Witold J. Henisz, 'The Institutional Environment for Economic Growth', *Economics and Politics*, 12 (2000), 1–32; Witold J. Henisz, 'The Institutional Environment for Infrastructure Investment' (The Wharton School working paper, 2000); Dennis C. Mueller, *Constitutional Democracy* (New York: Oxford University Press, 1996); Oates, *Fiscal Federalism*; Persson, Roland and Tabellini, 'Separation of Powers and Political Accountability'; Eric Rasmusen and J. Mark Ramseyer, 'Cheap Bribes and the Corruption Ban: A Coordination Game Among Rational Legislators', *Public Choice*, 78 (1992), 305–27; Charles M. Tiebout, 'A Pure Theory of Local Government Expenditure', *Journal of Political Economy*, 64 (1956), 416–24; and Weingast, 'The Economic Role of Political Institutions'.

<sup>68</sup> American Political Science Association, *Toward a More Responsible Two-Party System* (New York: Holt, Rinehart, 1950); James McGregor Burns, *The Deadlock of Democracy* (Englewood Cliffs, N.J.: Prentice-Hall,

articulated in a self-conscious fashion, is attractive to scholars in a wide range of research traditions, including some in economics and rational choice,<sup>69</sup> ‘new institutionalism’,<sup>70</sup> a substantial portion of work conducted on the welfare state and the so-called ‘developmental state’,<sup>71</sup> and various critiques of interest-group liberalism, porkbarrelling, side payments and political rents, effects often attributed to overly decentralized political structures.<sup>72</sup>

Interestingly, both the decentralist and centralist models specify a market-derived model of ‘competition’ as the most important mechanism in controlling corruption. The difference is that decentralists presume ongoing competition among governmental institutions and individuals within those institutions while centralists presume a model of *ex post facto* competition (elections at fixed intervals at which past performance is judged) among relatively centralized political parties. We argue, for reasons enumerated below, that the latter model offers a more compelling account of democratic accountability, and that the data and results presented here are more consistent with such an explanation. That is, basic-level institutions that foster strong parties and effective governments, such as unitarism and parliamentarism, also help promote lower levels of political corruption.

Accountability is a ubiquitous, but unfortunately ambiguous, term. Thus, in mediating this debate between decentralists and centralists we must identify causal pathways that lie closer to the ground. Even here, we run into formidable problems of operationalization and

(Footnote continued)

1963); Morris Fiorina, ‘The Decline of Collective Responsibility in American Politics’, *Daedalus*, 109:3 (1980), 25–45; Henry Jones Ford, *The Rise and Growth of American Politics* (New York: Da Capo, 1898); Frank J. Goodnow, *Politics and Administration* (New York: Macmillan, 1900); A. Lawrence Lowell, *Essays on Government* (Boston, Mass.: Houghton Mifflin, 1889); Austin Ranney, *The Doctrine of Responsible Party Government: Its Origins and Present State* (Urbana: University of Illinois, 1962); E. E. Schattschneider, *Party Government* (New York: Rinehart, 1942); Woodrow Wilson, ‘Cabinet Government in the United States’, *International Review*, 7 (1879), reprinted in E. David Cronon, ed., *The Political Thought of Woodrow Wilson* (Indianapolis: Bobbs-Merrill, 1965), pp. 29–53; and Woodrow Wilson, *Congressional Government* (Baltimore, Md.: Johns Hopkins University Press, 1956).

<sup>69</sup> Anthony Downs, *An Economic Theory of Democracy* (New York: Harper and Row, 1957); and Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Bros, 1942).

<sup>70</sup> Terry Moe and Michael Caldwell, ‘The Institutional Foundations of Democratic Government: A Comparison of Presidential and Parliamentary Systems’, *Journal of Institutional and Theoretical Economics*, 150 (1994), 171–95; Mancur Olson, *The Rise and Decline of Nations* (New Haven, Conn.: Yale University Press, 1982); and Mancur Olson, ‘Theory of the Incentives Facing Political Organizations: Neo-corporatism and the Hegemonic State’, *International Political Science Review*, 7 (1986), 165–89.

<sup>71</sup> Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol, eds, *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Ellen M. Immergut, *Health Politics: Interests and Institutions in Western Europe* (Cambridge: Cambridge University Press, 1992); Peter J. Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin, 1978); and Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and US Foreign Policy* (Princeton, N.J.: Princeton University Press, 1978).

<sup>72</sup> Maurice Fiorina, *Congress: Keystone of the Washington Establishment* (New Haven: Yale University Press, 1977); Theodore Lowi, *The End of Liberalism* (New York: Norton, 1969); and Grant McConnell, *Private Power and American Democracy* (New York: Alfred A. Knopf, 1966). Centralism is more or less equivalent to Lijphart’s ‘majoritarian’ type (see Markus M. L. Crepaz, Thomas A. Koelble and David Wilsford, eds, *Democracy and Institutions: The Life Work of Arend Lijphart* (Ann Arbor: University of Michigan Press, 2000); Arend Lijphart, *Democracies: Patterns of Majoritarian and Consensus Government in Twenty-One Countries* (New Haven, Conn.: Yale University Press, 1984); Arend Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven, Conn.: Yale University Press, 1999); and G. Bingham Powell, *Elections as Instruments of Democracy: Majoritarian and Proportional Visions* (New Haven, Conn.: Yale University Press, 2000)), though Lijphart does not look favourably on this form of government.

measurement. Yet, there is no escaping this issue. Seven distinct (though overlapping) causal mechanisms can be distinguished in the morass of arguments relating to basic-level political institutions and their possible or probable effects on corruption and good governance: (1) openness, transparency and information costs, (2) intergovernmental competition, (3) localism, (4) party competition, (5) decision rules, (6) collective action problems, and (7) public administration.

In this section, we assess the relative explanatory logic of the decentralist and centralist arguments in each of these seven areas.<sup>73</sup> (The first path traverses ground that lies more narrowly within decentralist territory, while the remaining six pose implications for both conceptual frameworks.) On balance, we find that the centralist position offers a more plausible explanation of how basic-level political institutions impact on the quality of governance. This is not to say that centralism is the only perspective that might be brought to bear on these questions. But with reference to territorial sovereignty (unitarism v. federalism) and the nature of the executive (parliamentarism v. presidentialism) – the empirical problems addressed in this article – this perspective seems strongest and most consistent with the data. Although it is not possible to marshal empirical evidence on each point, we cite such evidence wherever it is available. (Where evidence is absent, this absence may be regarded as a signpost for future research.)

#### *Openness, Transparency and Information Costs*

Openness and transparency, which we may understand as the availability and accessibility of relevant information about the functioning of the polity, is commonly associated with the absence of corruption. Since corruption, by definition, violates generally accepted standards of behaviour, greater transparency should discourage corrupt actions, or at least facilitate appropriate mechanisms of punishment (legal, administrative or electoral).

Decentralists argue that federal and presidential systems are more open and transparent since they multiply the number of actors involved in the policy process. The diffusion of power creates competing sources of information and, arguably, better information, since at least one of these sources usually has an incentive to ‘go public’. Dissemination of inside information comes via complaints from aggrieved parties or parties feeling that they have something to gain by mobilizing public opinion. This is typically countered by retaliatory publicity from the opposing side. The net result is an information-rich political environment, in which sources compete to ‘spin’ the news but no single party or individual is able to control it. The general principle might be phrased as follows: the more persons with competing political visions and constituencies are brought into the policy process, the more likely it will be that one of those persons will defect (i.e., leak information to the press or directly to the public).

Yet, openness (‘sunshine’) among elected officials is no guarantee that corrupt acts will be prevented or punished once they occur. First, government corruption most often concerns bureaucratic actors rather than elected officials. Thus, openness in the formal-constitutional system (i.e., presidentialism and federalism) may not translate into

<sup>73</sup> The breadth and depth of these arguments is staggering, and thus requires considerable reduction for purposes of a brief, article-length review. Yet, we believe that a responsible review of arguments should encompass all the main arguments commonly addressed to a particular causal problem, rather than the one or two that the author favours (or dis-favours). For a more extended treatment of these issues, see John Gerring and Strom C. Thacker, *Good Government: A Global Inquiry* (forthcoming).

openness among appointed officials, many of whom may enjoy civil service protection. Secondly, the existence of more information about putatively corrupt activities does not necessarily decrease information costs. It may actually increase them, since members of the public must ascertain the veracity of competing charges, charges that are often difficult to evaluate. Thirdly, the existence of competing sources of power means that the responsibility of individuals and institutions is more difficult to assign; divided powers can shield actors from blame. For these reasons, a plethora of information may not necessarily lead to effective mechanisms of accountability. Finally, openness can impair the deliberative quality of politics. Since policy discussions cannot be kept secret from the prying eyes of media watchdogs and interest-group activists, most statements by public officials will be public statements, crafted for immediate political consumption, rather than with an eye towards making good public policy. Bad policy can lead, over time, to greater corruption.<sup>74</sup> In sum, although openness may enhance the appearance of corruption (since it encourages parties to broadcast suspicions about their opponents), it does not necessarily decrease the incidence of corruption. It may have ambivalent or even negative effects.

### *Intergovernmental Competition*

Following Tiebout,<sup>75</sup> decentralists argue that multiple institutions with similar or overlapping mandates simulate the structure of a free market, thus forcing public officials to compete for constituency support while allowing citizens and their capital to move freely from one institution to another.<sup>76</sup> Since corruption has negative consequences for the quality of life, the exercise of an 'exit' option among contending institutions should provide an incentive for good behaviour on the part of elected officials and bureaucrats wishing to maintain their tax bases and their constituencies.<sup>77</sup> While Tiebout was concerned with the physical emigration of citizens across geographic jurisdictions, the same argument has been applied to the movement of citizens from one institution to another, for example from the executive to the legislature or from one agency to another. Persson, Roland and Tabellini identify (a) conflict of interest and (b) the necessity of joint agreement as essential features in the achievement of good governance.<sup>78</sup> The competing bodies should keep each other honest, while being individually accountable to voters.<sup>79</sup> Likewise, when multiple

<sup>74</sup> Gerring and Thacker, 'Do Neoliberal Policies Deter Political Corruption?'

<sup>75</sup> Tiebout, 'A Pure Theory of Local Government Expenditure'.

<sup>76</sup> H. Geoffrey Brennan and James M. Buchanan, *The Power to Tax* (Cambridge: Cambridge University Press, 1980); Albert Breton, *Competitive Governments: An Economic Theory of Politics and Public Finance* (Cambridge: Cambridge University Press, 1996); James M. Buchanan, 'Federalism as an Ideal Political Order and an Objective for Constitutional Reform', *Publius: The Journal of Federalism*, 25, no. 2 (1995), 19–27; Gabriella R. Montinola, Yingyi Qian and Barry R. Weingast, 'Federalism, Chinese Style: The Political Basis for Economic Success in China', *World Politics*, 48 (1995), 50–81; Oates, *Fiscal Federalism*; Yingyi Qian and Barry Weingast, 'Federalism as a Commitment to Market Incentives', *Journal of Economic Perspectives*, 11, no. 4 (1997), 83–92; and Pierre Salmon, 'Decentralization as an Incentive Scheme', *Oxford Review of Economic Policy*, 3, no. 2 (1987), 24–43.

<sup>77</sup> Our use of the term 'exit' follows Hirschman's classic typology (see Albert O. Hirschman, *Exit, Voice, Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, Mass.: Harvard University Press, 1970)). For a general discussion of exit and voice as strategies of bureaucratic accountability, see Samuel Paul, 'Accountability in Public Services: Exit, Voice and Control', *World Development*, 20 (1992), 1047–60.

<sup>78</sup> Persson, Roland and Tabellini, 'Separation of Powers and Political Accountability'.

<sup>79</sup> See also Manzetti and Blake, 'Market Reforms and Corruption in Latin America', p. 666; Persson, Tabellini and Trebbi, 'Electoral Rules and Corruption'; Susan Rose-Ackerman, *Corruption: A Study in Political Economy* (New York: Academic Press, 1978); and Guido Tabellini, 'Constitutional Determinants of Government Spending' (unpublished paper, Bocconi University IGIER and Department of Economics, 2000).

institutions provide the same good, citizens can judge the performance of those institutions relative to each other, thus providing a competitive ‘benchmarking’ mechanism.<sup>80</sup> We view both federalism and presidentialism as institutions that enhance intergovernmental competitiveness and hence, plausibly, reduce corruption.

Yet exit options are not always available to citizens, either at the level of territorial units or at the level of national-level institutions. Switching from one product to another (or from one party to another) is much easier than switching from one state to another or from one bureaucracy to another, particularly in the short term. Moreover, there is no reason to suppose that the exit of citizens from one jurisdiction is troubling to those who govern the affairs of that jurisdiction. Corrupt officials might be happy to see discontented citizens depart, leaving behind a friendlier constituency. Such officials might miss the capital that such constituents take with them, but the relative benefits they derive from such capital are likely to be small, especially on a personal scale (they may derive small marginal benefit from the additional taxes collected, but political enemies’ capital is unlikely to go into their campaign coffers, for example). On the contrary, wealthy political opponents can pose a political risk to corrupt officials in so far as they finance political opposition to incumbents. There is little evidence, for example, that the largely corrupt rulers of the one-party American South were perturbed by the migration of people (and their capital) to Northern states. State officials, after all, are accountable only to those citizens who remain in their jurisdiction, and emigration of malcontents presumably makes life easier for corrupt officials. Finally, agency officials are not directly accountable to constituencies, since they are appointed. Thus, the existence of shifting ‘demands’ for their services may have no obvious effect on their behaviour.

The intergovernmental competition argument also ignores the fact that corrupt connections with government are often actively sought out. Mobile capital and mobile citizens might choose to enter, rather than exit, a corrupt jurisdiction if it offers benefits that cleaner ones cannot match. Intergovernmental competition encourages ‘forum shopping’, and forum shoppers may prefer a corrupt (but sympathetic) official to a non-corrupt (non-sympathetic) one.<sup>81</sup> Finally, intergovernmental competition may confuse lines of accountability, rather than clarifying performance standards. Thus, in our view, intergovernmental competition does not necessarily approximate the competitive dynamics of a marketplace, at least in terms of political corruption. We do not imagine that individual politicians and/or bureaucrats (or the institutions they work within) are likely to be ‘punished’ by citizens in the same fashion as purveyors of private goods are punished by consumers. The centralist vision presupposes competition among parties (a matter discussed below), but not competition among government bodies.

### *Localism*

Decentralized institutions create, or at least reinforce, localistic politics: strong MP/constituency bonds, weak political parties and greater policy authority at local levels. Decentralists champion this state of affairs because it institutes closer connections between government units and the citizens they are intended to serve. Politicians are apt to be more aware of local conditions and more concerned with local-level results. In so far as demands and interests vary across a country, so should political institutions and public policies.

<sup>80</sup> Breton, *Competitive Governments*, p. 189; and Salmon, ‘Decentralization as an Incentive Scheme’.

<sup>81</sup> Rose-Ackerman, *Corruption and Government*.



Overall, accountability is enhanced when the relationship between government and citizenry is hammered out at the local, 'grassroots' level.<sup>82</sup>

Yet, local governments may be more susceptible to corruption than centrally located bodies. Local and state governments encompass small and homogeneous social groups, almost by definition, and are apt to be managed by close-knit power structures.<sup>83</sup> The smaller the region, the more difficult it will be to sustain more than one church or denomination, more than one newspaper, more than one party, business chamber or civic association. In the absence of rival entities there may be no effective way to counter official malfeasance. It is less likely that local media will expose local corruption since the beneficiaries of this corruption are apt to have strong local support networks and may have the general sympathy of the community or even close ties to the media outlets themselves. Where community leaders with strong local connections are on the take, opposition may be difficult to mobilize. With respect to the bureaucracy, it is often difficult to transfer corrupt officials out of local bailiwicks where they enjoy protection and political support if the polity itself is highly decentralized.<sup>84</sup> It may also be more difficult to find competent replacements since highly trained professionals often resist taking up posts in the periphery.

By contrast, national bureaucracies are large and interdepartmental transfers tend to be frequent. It is more difficult to maintain clientelistic networks under such circumstances.<sup>85</sup> Anti-corruption programmes, and non-corrupt administration of programmes, are more often the result of efforts by centralizing elites, whose orientation is national rather than local, whose training is extensive and professionally oriented, whose pay scales are more generous, whose identification with cosmopolitan ('Western') ideals is greater, and whose self-identified political mission is to unify the nation (rather than to represent local or particularistic interests). Thus, the quality of public service is likely to decline as one moves from centre to periphery.<sup>86</sup>

Following Madison, largeness of size and heterogeneity of constituency may be seen as conducive to more transparency, more publicity and more anti-corruption efforts generally, at least in so far as these may stem from the dynamics of political competition. Bardhan and Mookherjee hypothesize that 'the lower the level of government, the greater is the extent of capture by vested interests.'<sup>87</sup> And if corruption is greater at local than at

<sup>82</sup> Samuel H. Beer, *To Make a Nation: The Rediscovery of American Federalism* (Cambridge, Mass.: Harvard University Press, 1993); Buchanan, 'Federalism as an Ideal Political Order and an Objective for Constitutional Reform'; Martha Derthick, ed., *Dilemmas of Scale in America's Federal Democracy* (Cambridge: Cambridge University Press, 1998); Daniel J. Elazar, *American Federalism: A View from the States*, 2nd edn (New York: Crowell, 1972); Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944); and Elinor Ostrom, Larry Schroeder and Susan Wynne, *Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective* (Boulder, Colo.: Westview Press, 1993).

<sup>83</sup> John Dollard, *Caste and Class in a Southern Town* (New York: Harper, 1949).

<sup>84</sup> Remy Prud'homme, 'The Dangers of Decentralization'; *World Bank Research Observer*, 10 (1995), 201–20, p. 211.

<sup>85</sup> Robert Wade, 'The Market for Public Office: Why the Indian State Is Not Better at Development', *World Development*, 13 (1985), 467–97, p. 487.

<sup>86</sup> Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968), p. 68; Prud'homme, 'The Dangers of Decentralization', p. 211; Vito Tanzi, 'Fiscal Federalism and Efficiency: A Review of Some Efficiency and Macroeconomic Aspects', in M. Bruno and B. Pleskovic, eds, *Annual World Bank Conference on Development Economics 1995* (Washington: World Bank, 1996); and Wade, 'The Market for Public Office'.

<sup>87</sup> Pranab Bardhan and Dilip Mookherjee, 'Relative Capture of Local and Central Governments: An Essay in the Political Economy of Decentralization' (unpublished paper, University of California at Berkeley and Boston University, 1999), p. 2.

national levels, the effect of decentralizing policies will be to increase the overall level of corruption.<sup>88</sup>

A final point relates to the role of political institutions in the definition of interests and identities. All else being equal, interests are likely to be defined more narrowly in a fragmented polity than in a centralized polity. Particularism – understood in terms of family, clan, tribe, locality, ethnicity, religion, language or some other subnational feature – is likely to flourish wherever fragmented institutions prevail. We argue that a polity based on intimate contact and personalized relations ('clientelism') is more prone to corruption than one based on impersonal relations and generalized norms.<sup>89</sup> In general, the larger the setting, the more a polity is likely to rely upon abstract standards and universalistic norms, ones conducive to 'clean' behaviour and corruption reform.

Centralized institutions lead to a more encompassing vision of public policy, where the logic of issue and constituency definition is national rather than local. The more encompassing these definitions are, the less susceptible to special interest and personalistic pressures they become.<sup>90</sup> Thus, in so far as basic-level political institutions structure the long-run interests and identities of the electorate, we should expect a less corrupt political climate in a polity that is unitary and parliamentary.

### *Party Competition*

As noted above, unitary and parliamentary systems foster stronger – i.e., more centralized and more cohesive – political parties at the national level. These two basic-level institutions, along with the electoral system, are perhaps the most important influences structuring the relative strength of parties across democratic polities (see sources cited above).

For decentralists, the strength of the political party has negative ramifications for the quality of governance. Centralized parties insulate elites from popular control, confine and restrict the recruitment of new leaders (and hence minimize the circulation of elites), prevent insurgent reform movements within the parties, prevent the emergence of new ideas and new leadership, and ossify intra-party competition and accountability. The over-centralized nature of political parties has been identified with a 'cartel' form of government in Europe<sup>91</sup> and with the oligarchic control of party leaders in Venezuela.<sup>92</sup>

<sup>88</sup> Jan Brueckner, 'Fiscal Decentralization in LDCs: The Effects of Local Corruption and Tax Evasion' (unpublished paper, University of Illinois at Urbana-Champaign Department of Economics, 1999); Prud'homme, 'The Dangers of Decentralization'; Tanzi, 'Fiscal Federalism and Efficiency'; and Treisman, 'Decentralization and the Quality of Government'.

<sup>89</sup> Clapham, *Private Patronage and Public Power*; Della Porta and Vannucci, *Corrupt Exchanges*; Eisenstadt and Lemarchand, *Political Clientelism, Patronage and Development*; Gambetta, *The Sicilian Mafia*; Kang, *Crony Capitalism*; Piattoni, *Clientelism, Interests, and Democratic Representation*; Rajan and Zingales, 'The Tyranny of Inequality'; and Schmidt *et al.*, *Friends, Followers, and Factions*; and Scott, *Comparative Political Corruption*.

<sup>90</sup> Markus M. L. Crepaz, 'Constitutional Structures and Regime Performance in 18 Industrialized Democracies: A Test of Olson's Hypothesis'; *European Journal of Political Research*, 29 (1996), 87–104; see also Olson, *The Rise and Decline of Nations*; and Olson, 'Theory of the Incentives Facing Political Organizations'.

<sup>91</sup> Richard S. Katz and Peter Mair, 'Changing Models of Party Organization: The Emergence of the Cartel Party'; *Party Politics*, 1 (1996), 5–28.

<sup>92</sup> Brian F. Crisp, 'Presidential Behavior in a System with Strong Parties: Venezuela, 1958–1995', in Mainwaring and Shugart, eds, *Presidentialism and Democracy in Latin America*; Brian F. Crisp, *Democratic Institutional Design: The Powers and Incentives of Venezuelan Politicians and Interest Groups* (Stanford, Calif.: Stanford University Press, 2000); and Joseph S. Tulchin, Moises Naim, Louis Goodman and Johanna

From the centralist perspective, these arguments are only half true. There is no evidence that so-called cartel parties are engaging in illegal activities, activities that would be considered corrupt in the strongest sense of the term. At worst, they are failing to represent views and issues that are popular, or would be popular, in the electorate. The case of Venezuela must be understood in the light of that country's presidentialist system, which blunts the force of the opposition *qua* party opposition. Where party opposition is blunted, and apparently co-opted, we can expect populist 'anti-corruption' campaigns (such as that waged by Hugo Chávez) to appear in response to hard times.

The more general point, made long ago by E. E. Schattschneider,<sup>93</sup> may be paraphrased as follows: by decentralizing power within a political party, one also decreases the level of competition across parties; intra-party and inter-party competition are inversely correlated. Thus, in so far as inter-party competition leads to better governance,<sup>94</sup> we should expect the latter form of competition to be crucial to the reduction and elimination of political corruption. Centralists argue that accountability is more meaningful, more practical, more workable, when understood as a choice between parties, rather than a choice between independent candidates. It is unlikely that the principal – the voter, in this case – can monitor the corrupt or non-corrupt behaviour of individual incumbents or challengers except at the highest levels that receive close media and civil society scrutiny. It is reasonable to assume that they can monitor the functioning of the political system at large. But this is a politically meaningful judgement only if a party, or group of parties, can be held responsible for this state of affairs.

Over a century ago, Henry Jones Ford argued that partisanship and corruption are 'fundamentally antagonistic principles. Partisanship tends to establish a connection based upon an avowed public obligation, while corruption consults private and individual interests which secrete themselves from view and avoid accountability of any kind. The weakness of party organization is the opportunity of corruption.'<sup>95</sup> In so far as unitarism and parliamentarism enhance party strength, we anticipate, with Ford, that they help mitigate political corruption.

### *Decision Rules*

Decentralized institutions create multiple veto points, thus raising the threshold level of agreement necessary for reaching any political decision. Within federal and presidential systems decisions must gain the consent of both the legislature and the executive, both houses within the legislature, perhaps the judiciary as well as state governments, and a variety of semi-autonomous agencies. Thus, a super-majority, rather than a simple majority or plurality, is required in order to alter the course of public policy in a decentralized polity.

Decentralists believe that the existence of multiple veto points establishes a protective barrier against the passage of corrupt legislation. It should also lead to greater consensus, since each group is forced to seek the co-operation of at least most other groups. Conceived of as a co-ordination game, corruption is made more difficult when more players must co-operate with one another to deliver on a promise to a client.<sup>96</sup> Since co-ordination

(F'note continued)

Mendelson-Forman, eds, *Lessons of the Venezuelan Experience* (Baltimore, Md.: Johns Hopkins University Press, 1995).

<sup>93</sup> Schattschneider, *Party Government*.

<sup>94</sup> Schumpeter, *Capitalism, Socialism, and Democracy*.

<sup>95</sup> Ford, *The Rise and Growth of American Politics*, pp. 322–3

<sup>96</sup> Rasmusen and Ramseyer, 'Cheap Bribes and the Corruption Ban'.

problems increase as the number of people increases and as the power of co-ordinating institutions (such as parties) decreases, we should expect less corruption in a fragmented, disjointed policy-making environment.

The centralist view is that obstacles to government action, by themselves, have little positive effect on the quality of government. To begin with, the presence of multiple veto points allows corrupt actors (or those in league with corrupt actors) to block reform efforts.<sup>97</sup> Indeed, in a corrupt polity reformers would presumably prefer a streamlined policy process (with few veto points). More importantly, the existence of multiple veto points may establish the preconditions for a particularistic style of legislating. Jumping a high hurdle requires gaining the acquiescence of political players who are not like-minded, and thus will not respond to incentives provided by party and ideology. Instead, coalitions must be *ad hoc* and will be organized through material incentives or purposive incentives of a highly particularistic sort (for example, focused on a local district or some particular sector or constituency). In such situations logrolling and porkbarrelling are *modi operandi*. This dynamic lends itself to, and is sometimes associated or even equated with, corruption.<sup>98</sup> As Merton puts it, with reference to the patronage-driven municipal machine, 'the functional deficiencies of the official structure generate an alternative (unofficial) structure to fulfill existing needs somewhat more effectively.'<sup>99</sup> In sum, 'the greater the number of effective vetoes, the more private regarding will be the policies enacted.'<sup>100</sup>

### *Collective Action Problems*

Collective action problems typically emerge where structural incentives encourage utility-maximizing actors to undermine the collective good by 'free riding' on the efforts of others. When numerous actors face this same incentive structure, these collective action problems limit the provision of a public good (one that is both non-rival and non-excludable, such as good governance). Such incentive structures are often associated with corruption, as when legislators choose policies that benefit them individually (and/or their districts) at the expense of policies that benefit the national interest, or when the legislature, the president, federal agencies, individual states and other political entities whose power derives in some respect from basic-level constitutional fragmentation, do likewise. One finds many variations on this theme, referred to variously as joint-decision traps, underproviding, overgrazing, tragedy of the commons, common pool problems, Prisoner's Dilemmas, co-ordination problems, transaction costs, or – as we refer to them

<sup>97</sup> Treisman, 'Decentralization and the Quality of Government'.

<sup>98</sup> Diana Evans, 'Policy and Pork: The Use of Pork Barrel Projects to Build Policy Coalitions in the House'; *American Journal of Political Science*, 38 (1994), 894–917; Kenneth A. Shepsle and Barry R. Weingast, 'Political Preferences for the Pork Barrel: A Generalization', *American Journal of Political Science*, 25 (1981), 96–111; and James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 1989).

<sup>99</sup> Robert K. Merton, *Social Theory and Social Structure* (New York: Free Press, 1968), p. 127. See also: Bentley, *The Process of Government*; Peter deLeon, *Thinking About Political Corruption* (Armonk, NY: M. E. Sharpe, 1993); Bernardo Mueller and Carlo Pereira, 'Democratic Governance and Budget Allocation in Latin America: Electoral Rules and Legislative Organization: Two Complementary Dimensions of the Cost of Governing' (paper prepared for presentation at the conference on Political Parties and Legislative Organization in Parliamentary and Presidential Regimes, Yale University, 2002); and Wilson, *Congressional Government*.

<sup>100</sup> Gary W. Cox and Mathew D. McCubbins, 'Political Structure and Economic Policy: The Institutional Determinants of Policy Outcomes', in Stephan Haggard and Mathew D. McCubbins, eds, *Presidents, Parliaments, and Policy* (Cambridge: Cambridge University Press, 2001), pp. 21–63, at p. 28.

– collective action problems.<sup>101</sup> All share the defining feature that individual-level incentives conflict with group-level rationality.

This institutional argument can apply to both corrupt and fundamentally clean governments. In the case of corrupt actions, Shleifer and Vishny argue that the centralization of power in a system inhibits ‘overgrazing’ among corrupt officials.<sup>102</sup> Thus, whether the policy is taxation (non-corrupt) or bribes (corrupt) the collective action problem can be equally pernicious. In short, within the scope of *either* fundamentally corrupt or clean governments, corruption is likely to be lower under a centralized organization of power than it would under a decentralized system.

Decentralists argue that collective action problems may be overcome through constitutional rules that restrict the ability of agents to defect from the general interest solution. Examples include balanced-budget restrictions and restrictions on borrowing (‘hard budgets’).<sup>103</sup> Collective action problems may also be minimized when the realm of local political authorities is made to conform to the ambit of a specific problem-area, so as to minimize externalities (within that jurisdiction). A third way of overcoming collective action problems is to insulate agencies from political pressures, so that general interest solutions can be reached without undue particularistic pressure. Arguably, decentralized polities are more suited to the creation of autonomous regulatory agencies.<sup>104</sup> Finally, various mechanisms may be developed to enhance the ability of communities to make appropriate decisions, such as increasing the level of face-to-face communication among participants.<sup>105</sup> Thus, for a variety of reasons it may be argued that collective action problems are best addressed within the context of a decentralized polity, or in a ‘non-state’ venue.<sup>106</sup>

However, it is not at all clear that collective action problems can be overcome effectively by specific legislation (addressing each issue individually). Indeed, the existence of a collective action problem begs the question of how such legislation would come to be accepted by a political body whose interests are opposed to that policy solution. If, for example, it is in the short-term interest of politicians to preserve a system by which federal money bails out local governments, then it is questionable whether the norm of ‘hard budgets’ could ever be legislated, and if legislated, enforced.<sup>107</sup>

<sup>101</sup> Russell Hardin, *Collective Action* (Baltimore, Md.: Resources for the Future, Johns Hopkins Press, 1982); Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Goods* (Cambridge, Mass.: Harvard University Press, 1965); Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge: Cambridge University Press, 1990); Elinor Ostrom and James Walker, ‘Neither Markets nor States: Linking Transformation Processes in Collective Action Arenas’, in Dennis C. Mueller, ed., *Perspectives on Public Choice: A Handbook* (Cambridge: Cambridge University Press, 1997); Fritz W. Scharpf, ‘The Joint Decision Trap: Lessons from German Federalism and European Integration’, *Public Administration*, 66 (1988), 239–78; Shleifer and Vishny, ‘Corruption’; Treisman, ‘Decentralization and the Quality of Government’; and Oliver E. Williamson, *Mechanisms of Governance* (Oxford: Oxford University Press, 1996).

<sup>102</sup> Shleifer and Vishny, ‘Corruption’. See also Pranab Bardhan, ‘Corruption and Development: A Review of Issues’, in Michael Johnston and Arnold J. Heidenheimer, eds, *Political Corruption: Concepts and Contexts* (New Brunswick: Transaction, 1997/2002), pp. 321–38 at pp. 326–8; and Treisman, ‘Decentralization and the Quality of Government.’

<sup>103</sup> Weingast, ‘The Economic Role of Political Institutions’.

<sup>104</sup> William T. Bernhard, ‘A Political Explanation of Variations in Central Bank Institutions’, *American Political Science Review*, 92 (1998), 311–28.

<sup>105</sup> Steven Hackett, Edella Schlager and James M. Walker, ‘The Role of Communication in Resolving Commons Dilemmas: Experimental Evidence with Heterogeneous Appropriators’, *Journal of Environmental Economics and Management*, 27 (1994), 99–126.

<sup>106</sup> Ostrom and Walker, ‘Neither Markets nor States’.

<sup>107</sup> Jonathan Rodden, Gunnar Eskeland and Jennie Litvack, eds, *Decentralization and the Challenge of Hard Budget Constraints* (Cambridge, Mass.: MIT Press, 2002).

Thus, we argue that the most effective and most practical (i.e., workable) solution to collective action problems is the *internalization of externalities*, i.e., by centralizing jurisdictions and responsibilities to minimize collective action problems, thus bringing the net social costs and benefits of policy into the purview of the relevant political authority. Unitary and parliamentary regimes are more likely to achieve this goal since they centralize political power in the hands of national party leaders and central government bureaucrats.

### *Public Administration*

Political corruption is, to significant degree, a bureaucratic pathology. It is appointed officials, not elected officials, who are most often in a position to abuse the public trust in a way that is clearly (not just marginally) corrupt. Thus, questions of bureaucratic responsiveness and oversight loom large in any discussion of causal pathways. In so far as basic-level political institutions matter to governance, they should have some effect on public administration.

Decentralists claim that the most effective way to administer a bureaucracy is to institute multiple lines of control, multiple ‘principals’ to which each bureaucratic ‘agent’ is accountable. These could include the executive, the legislature, the judiciary and state governments, along with whatever committees, subcommittees and watchdog agencies might be housed within these bodies, as well as rival agencies (with overlapping mandates). A watchdog regime works best when it employs numerous watchdogs.

The centralist position, however, is that effective (non-corrupt) public administration is best achieved through a single principal (the executive) and agents holding distinct (non-overlapping) mandates. Centralized political systems, by definition, have clearer lines of authority, and hence establish greater accountability between elected officials and bureaucrats. A centralized administration, writes Goodnow, ‘tends ... to make the government more responsible. For it makes provision for doing in the open, and thus subject to public control, what under a decentralized system is done in secret and not subject to public control.’<sup>108</sup>

Arguments over the virtues and vices of centralization often hinge on comparisons between Britain and the United States. Moe and Caldwell offer a good summary of the pro-centralization line:

The British scheme is a model of rationality ... The Prime Minister and her Cabinet rely upon two well integrated, professional, hugely powerful central bureaus to control the entire bureaucracy and see their agenda implemented. The American scheme is not a scheme at all. It is a hodgepodge of presidential and bureaucratic units, overlapping in function and conflicting in perspective, that presidents have tried to weld together through strategies of centralization and politicization. They have enhanced their capacity for control in the process. But with a system so ill designed, authority so limited, and opposition so formidable, their actual control is far less than they need to meet the responsibilities thrust upon them.<sup>109</sup>

In short, the principal–agency problem is much more severe wherever fragmentation in the elective branches and in public service exists. Divided authority leads to mixed

<sup>108</sup> Frank J. Goodnow, *Politics and Administration* (New York: Macmillan, 1900), p. 258; see also Terry M. Moe, ‘Political Institutions: The Neglected Side of the Story’, *Journal of Law, Economics, and Organization*, 6 (1990), 213–53, p. 242; Moe and Caldwell, ‘The Institutional Foundations of Democratic Government’; and Rose-Ackerman, ‘Trust, Honesty, and Corruption’.

<sup>109</sup> Moe and Caldwell, ‘The Institutional Foundations of Democratic Government’, pp. 190–1.

messages, overlapping jurisdictions, and rigid and detailed rules of procedure ('red tape'). Bureaucratic malfeasance is easily buried in the chaos or, if discovered, is disavowed ('finger pointing'). Parallel institutions cannot hold other institutions accountable precisely because each institution is formally independent. Decentralized power structures introduce co-ordination problems among political units wherever the actors are (a) multiple, (b) organizationally independent, (c) instilled with different perspectives and different organizational missions, and (d) empowered with an effective policy veto.<sup>110</sup>

It should be noted that corruption is often a product of poor systems of public administration. Poorly crafted laws and bureaucratic 'red tape' create a situation in which regulations must be broken in order to accomplish needed tasks. This is a recipe for bribery, since private citizens now have an interest in breaking the law. In so far as federalism and presidentialism complicate the complex tasks of public administration, they may also pave the way for greater government corruption.

### Conclusions

In explaining our empirical findings – that unitarism and parliamentarism are associated with lower rates of political corruption around the world – we have drawn on seven quite disparate causal mechanisms: (1) openness, transparency and information costs, (2) intergovernmental competition, (3) localism, (4) party competition, (5) decision rules, (6) collective action problems, and 7) public administration. While this imposes a rather long and necessarily fragmented discussion upon our readers, in this case we find complexity to be more rewarding than parsimony. Each of these well-trodden causal pathways thus serves as a part of our overall causal explanation. In other words, unitarism and parliamentarism *work through multiple channels* to influence corruption outcomes. It is not just a question of 'veto points', 'accountability', 'competition' or 'collective action'. Indeed, these terms are broad enough to admit quite a number of interpretations; by themselves, they clarify rather little.

This style of explanation – and emphasis on *multiple causal paths* – runs against the grain of much recent research on corruption and governance, where writers usually focus on a

<sup>110</sup> Edward C. Banfield, 'Corruption as a Feature of Governmental Organization', *Journal of Law and Economics*, 18 (1975), 587–605, p. 588; Eugene Bardach, *The Implementation Game: What Happens After a Bill Becomes a Law* (Cambridge, Mass.: MIT Press, 1977); Henry Jones Ford, 'Municipal Corruption: A Comment on Lincoln Steffens', in Arnold J. Heidenheimer, ed., *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart, 1904/1970), pp. 285–6; James M. Jasper, *Nuclear Politics: Energy and the State in the United States, Sweden, and France* (Princeton, N.J.: Princeton University Press, 1990); Robert A. Kagan and Lee Axelrad, 'Adversarial Legalism: An International Perspective', in Pietro S. Nivola, ed., *Comparative Disadvantages? Social Regulations and the Global Economy* (Washington, D.C.: Brookings, 1997), pp. 146–81; Scott P. Mainwaring and David Samuels, 'Federalism, Constraints on the Central Government, and Economic Reform in Democratic Brazil' (paper presented at the Annual Meetings of the Latin American Studies Association, Miami, 2000); Mark Peterson, *Legislating Together* (Cambridge, Mass.: Harvard University Press, 1990); Jeffrey L. Pressman and Aaron Wildavsky, *Implementation* (Berkeley: University of California Press, 1973); Amal Ray, 'Federalism and Political Development in India: Past Trends and Present Issues', in Tarun Chandra Bose, ed., *Indian Federalism Problems and Issues* (Calcutta: K. P. Bagchi, 1987); David Brian Robertson, 'The Bias of American Federalism: The Limits of Welfare-State Development in the Progressive Era', *Journal of Policy History*, 1 (1989), 261–91; Bishwapriya Sanyal and Vinit Mukhija, 'Institutional Pluralism and Housing Delivery: A Case of Unforeseen Conflicts in Mumbai, India' (unpublished paper, MIT Department of Urban Studies and Planning, 2000); and Jonathan Steinberg, *Why Switzerland? 2nd. edn* (Cambridge: Cambridge University Press, 1996); and Kurt Weyland, *Democracy without Equity: The Failures of Reform in Brazil* (Pittsburgh: Pittsburgh University Press, 1996).

single causal mechanism, often adumbrated in a formal model. We argue that, especially in a relatively new field and method of analysis, the exclusive focus on only one of many possible causal pathways constitutes an arbitrary exclusion within a potentially large causal field. Such explanations, while parsimonious, are partial, and in their partiality (because they have not fully considered the alternatives to the favoured argument) misleading.

To be sure, this is not a matter that can be empirically tested, at least not at present. We have already drawn attention to the difficulty involved in testing any one of these specific causal mechanisms. Yet this is no reason to settle on a single causal route when a number seem equally justified (on the basis of what we know about the world). It seems highly unlikely that any single causal pathway or causal model can explain the complex set of inter-relationships between basic-level institutions and political corruption. Future work would be most productive if it took such complexity into serious consideration.

#### EXTENSIONS

What are the practical implications and potential applications of these findings? Does statistical significance imply real world import? Analysis of regression coefficients and tests for statistical significance provide little sense of the relative, practical impact of political institutions and other factors on governance outcomes. Fortunately, a Monte Carlo simulation procedure developed by Gary King and his associates can help provide greater insight into the implications of the argument and evidence presented here.<sup>111</sup> Using King *et al.*'s *Clarify* software, we generate a series of statistical simulations based on our benchmark equation. This software uses a pre-specified statistical model (in our case, Equation 1 from Table 1) to generate a series of statistical simulations (1,000, in the default mode used here) that gauge both the potential impact of different variables within an equation and the certainty or precision of those simulated values. Using these results, we find (with a 95 per cent degree of confidence) that changing from a federal to a unitary system of government would lower the expected level of perceived corruption on the KKZ index scale by somewhere between 0.102 and 0.486, with an average reduction of 0.291. Moving from a presidential to a parliamentary system would lower the expected outcome by somewhere between 0.087 and 0.509, or 0.295 on average. Changing both variables simultaneously, we find that, *ceteris paribus*, a country changing its political system from a federal, presidential one to a unitary, parliamentary one can reduce the perceived level of corruption it experiences by somewhere between 0.335 to 0.860, or by 0.586 on average. In more intuitive terms, this average figure would be equivalent to the difference between the forty-ninth and eightieth percentiles in the KKZ index used here. Using specific countries as examples, a movement of this magnitude would be roughly similar to the difference between Nigeria (ranked as the seventh most corrupt country among our selected cases according to the KKZ index) and Burkina Faso (no. 46), or between Brazil (76) and Belgium (95). Such a hypothetical movement would move a country like the United States from position no. 108 to 119, between Singapore and the Netherlands.

Figure 1 highlights four distinct hypothetical scenarios that allow us to gauge not only

<sup>111</sup> Gary King, Michael Tomz and Jason Wittenberg, 'Making the Most of Statistical Analyses: Improving Interpretation and Presentation', *American Journal of Political Science*, 44 (2000), 341–55; and Gary King, Michael Tomz and Jason Wittenberg, 'Clarify: Software for Interpreting and Presenting Statistical Results', version 2 (Cambridge, Mass.: Harvard University, 2001), <http://gking.harvard.edu>.



	Federal	Unitary
Presidential	High corruption - 0.352 (- 0.603 to - 0.108)	Intermediate - 0.643 (- 1.088 to - 0.231)
Parliamentary	Intermediate - 0.647 (- 0.878 to - 0.435)	Low corruption - 0.938 (- 1.340 to - 0.550)

Fig. 1. Effects of unitarism and parliamentarism on levels of perceived corruption

Notes: Simulation based on Table 1, Equation 1 (KKZ index, WLS regression). All other variables held at their means. Numbers in cells indicate simulated expected values for the KKZ index of corruption. Numbers in parentheses indicate 95% confidence interval for the simulated value.

the absolute impact of political institutions, but their relative importance as well. Holding all other variables at their means, we construct four distinct simulations accounting for different combinations of unitarism and parliamentarism. (All differences in means are statistically significant at the 0.0001 level, with the exception of the difference between unitary-presidential and federal-parliamentary systems, which is not significant.) The north-west corner of this 2 × 2 diagram corresponds to the case of a federal (strong bicameral), presidential state. We expect corruption to be highest here. Our results suggest that there is a 95 per cent chance that such a country would have a corruption score between - 0.603 and - 0.108, with an average score of - 0.352. The south-east corner, where unitary and parliamentary forms of government join, represents the lowest expected level of perceived corruption, - 0.938, with a 95 per cent chance that it would fall somewhere between - 1.340 to - 0.550. The north-east and south-west corners help us compare the intermediate cases. According to these results, a federal-parliamentary arrangement would have a similar level of corruption as a unitary, presidential government (- 0.647 v. - 0.643, with the former having a somewhat narrower confidence interval).

Based on Table 1, the effects of these institutions compared to per capita GDP may appear relatively weak. But as a practical matter, the alteration of basic-level political institutions lies more directly in the control of governments than other factors that might ameliorate political corruption. It is usually easier to change political institutions than to achieve long-term economic growth, and it is of course impossible to change cultural and historical antecedents such as religion (the presence or absence of Protestantism), legal origin (English or non-English), socialism or the tenure of democracy. Whatever its obstacles, constitutional reform may offer a relatively practical programme for the improvement of governance around the world. Again relying on *Clarify* software, we simulated various values for the per capita GDP variable (logged) to assess its causal weight compared to that of the institutional variables. To achieve the same average result as it would from moving from a federal, presidential system to a unitary, parliamentary one, a country would have to improve its per capita GDP by a significant margin. For example, a country beginning at the fiftieth percentile of per capita GDP in our sample would have to move up to nearly the eightieth percentile to achieve the same reduction in corruption as one whose per capita income did not change but that underwent such an

institutional transformation. Transforming the logged GDP variable back into more readily interpretable dollar figures, we find that such a change would require a boost in average annual income from \$1,259.67 per person to \$7,063.25 per person, an improvement of over 460 per cent. While dramatic institutional reform is not a simple matter, and to achieve this particular hypothetical, simulated result a country would have to begin with a fully presidential, federal and strongly bicameral system and change to its opposite (a relatively rare scenario), these results suggest that institutional factors in corruption and governance more broadly merit far greater scholarly and practical attention than they currently receive.

APPENDIX A Cases, Outcomes and Coded Variables

	KKZ	CPI	U	P		KKZ	CPI	U	P
Albania	0.985	-1.02	5	3	Kuwait	-0.619	-4.65	5	3
Argentina	0.275	-2.81	2	1	Kyrgyzstan	0.763	-2.20	5	1
Armenia	0.803	-2.50	5	1	Latvia	0.264	-5.11	5	3
Australia	-1.601	-8.86	1	3	Lebanon	0.397	-0.53	5	2
Austria	-1.457	-7.61	4	3	Lithuania	-0.034	-3.80	5	2
Azerbaijan	0.998	-1.70	5	1	Luxembourg	-1.671	-8.61	5	3
Bahamas	-0.497	-4.49	4	3	Macedonia	0.517	-3.30	5	1
Bangladesh	0.289	-1.80	5	3	Madagascar	0.469		4	1
Belarus	0.654	-2.38	5	1	Malawi	0.195	-4.10	5	1
Belgium	-0.672	-5.25	4	3	Malaysia	-0.633	-5.01	2	3
Benin	0.781		5	1	Mali	0.476		5	1
Bolivia	0.438	-2.05	2	2	Malta	-0.497		5	3
Botswana	-0.535	-3.60	5	3	Mauritius	-0.336	-4.90	5	3
Brazil	-0.058	-3.56	1	1	Mexico	0.277	-2.66	1	1
Bulgaria	0.557	-3.94	5	2	Moldova	0.387	-2.60	5	1
Burkina Faso	0.368		5	1	Mongolia	0.145	-4.30	5	1
Cameroon	1.105	-2.27	5	1	Morocco	-0.125	-3.45	5	3
Canada	-2.055	-9.10	3	3	Mozambique	0.535	-3.50	5	1
Chad	0.587		5	1	Netherlands	-2.026	-9.03	3	3
Chile	-1.029	-6.05	3	1	New Zealand	-2.075	-9.23	5	3
Colombia	0.490	-2.23	2	1	Nicaragua	0.836	-4.19	5	1
Congo, Rep	0.596		4	1	Niger	1.567		5	1
Costa Rica	-0.577	-6.45	5	1	Nigeria	0.954	-1.76	1	1
Cote d'Ivoire	0.079	-1.96	5	1	Norway	-1.687	-8.92	4	3
Croatia	0.464	-2.70	4	1	Pakistan	0.769	-2.53	1	2
Cyprus	-1.811	-6.61	5	1	Panama	0.458	-1.70	5	1
Czech Repub.	-0.384	-5.20	4	3	Papua New Guinea	0.854		4	3
Denmark	-2.129	-9.94	5	3	Paraguay	0.958	-1.68	3	1
Dominican Repub.	0.773	-3.91	3	1	Peru	0.200	-2.90	5	1
Ecuador	0.819	-3.41	4	1	Philippines	0.228	-3.05	3	1
Egypt	0.267	-1.94	5	1	Poland	-0.492	-5.08	4	2
El Salvador	0.354	-2.81	5	1	Portugal	-1.218	-6.97	5	2
Estonia	-0.593	-6.16	5	3	Puerto Rico	-1.118		5	1
Ethiopia	0.436	-4.04	3	1	Romania	0.457	-3.44	4	1
Fiji	-0.807		4	3	Russia	0.616	-2.27	1	1
Finland	-2.085	-9.48	5	2	Senegal	0.235	-3.40	5	1
France	-1.282	-6.66	4	2	Sierra Leone	0.019		5	1
Gabon	1.015	-0.93	5	2	Singapore	-1.948	-8.66	5	2
Gambia	0.019		5	1	Slovakia	-0.030	-3.65	5	3
Georgia	0.744	-2.30	5	2	Slovenia	-1.023	-6.00	5	3
Germany	-1.620	-8.23	1	3	South Africa	-0.299	-4.95	1	3
Ghana	0.301	-2.68	4	1	Spain	-1.214	-5.90	3	3
Greece	-0.825	-5.35	5	3	Sri Lanka	0.124	-4.17	4	2
Guatemala	0.819	-3.87	5	1	Suriname	0.019		5	1
Guinea	0.848		5	1	Sweden	-2.085	-9.35	5	3
Guinea-Bissau	0.176		5	1	Switzerland	-2.072	-8.61	1	2
Guyana	0.019		5	2	Taiwan	-0.626	-5.02	5	2
Haiti	0.535		3	2	Tanzania	0.924	-2.26	4	1
Honduras	0.938	-1.98	5	1	Thailand	0.165	-3.06	4	3
Hong Kong	-1.313	-7.28	5	3	Togo	0.242		5	1
Hungary	-0.614	-5.18	5	3	Trin./Tobago	-0.511		4	3
Iceland	-1.601	-8.86	5	3	Tunisia	-0.020	-4.03	5	1
India	0.306	-2.75	1	3	Turkey	0.349	-3.21	5	3
Indonesia	0.799	-2.72	5	2	Uganda	0.466	-1.67	5	1
Ireland	-1.567	-8.28	5	3	Ukraine	0.892	-2.61	5	1
Israel	-1.277	-7.97	5	3	United Arab Emirates	0.027	-3.35	3	1
Italy	-0.802	-5.03	3	3	United Kingdom	-1.707	-8.22	4	3
Jamaica	0.116	-3.80	4	3	United States	-1.407	-7.61	1	1
Japan	-0.724	-6.57	4	3	Uruguay	-0.430	-4.14	5	1
Jordan	-0.139	-4.29	4	3	Venezuela	0.725	-2.77	1	1
Kazakhstan	0.869	-2.30	5	1	Zambia	0.614	-2.47	5	1
Kenya	0.651	-2.30	5	1	Zimbabwe	0.319	-3.77	5	1
Korea, South	-0.159	-4.29	5	2					

KKZ: KKZ index of corruption, 1997-98. *N* = 125. Min = -2.129 (Denmark). Max = 1.567 (Niger). Mean = -0.131; Median = 0.165. SD = 0.913.

CPI: TI Corruption Perceptions Index, 1997. *N* = 105. Min = -9.94 (Denmark). Max = -0.53 (Lebanon). Mean = -4.47. Median = -3.87. SD = 2.39.

U: Unitarism. 5 = non-federal, 4 = semi-federal, 3 = federal. Subtract 1 if weak bicameral; subtract 2 if strong bicameral (total range = 1-5, with higher values indicating more unitarism).

P: Parliamentarism. 3 = parliamentary, 2 = semipresidential, 1 = presidential.

## APPENDIX B VARIABLES

*Dependent Variables*

*KKZ index* [CC97] KKZ write: 'We use an unobserved components model which expresses the observed data in each cluster as a linear function of the unobserved common component of [corruption], plus a disturbance term capturing perception errors and/or sampling variation in each indicator. This model enables us to compute estimates of [corruption] for each country, as well as measures of the precision of these estimates. Formally, the estimate of [corruption] for a country produced by the unobserved components model is the mean of the distribution of unobserved [corruption] conditional on the observed data for that country. This conditional mean is simply a weighted average of appropriately rescaled scores of each of the [corruption] indicators' *Source*: Kaufmann, Kraay and Zoido-Lobaton, 'Governance Matters', p. 9. (See also Kaufmann, Kraay and Zoido-Lobaton, 'Aggregating Governance Indicators'.) The standard deviation of this conditional distribution provides an indicator of confidence in the accuracy of each point estimate. Data for 1997–98. See Appendix A for coding of cases.

*CPI* [CORRUPT6]. The Transparency International index (CPI), supplemented by one of its principal authors (employing the same methodology with additional surveys). *Source*: Lambsdorff, 'Corruption in Comparative Perception' (App 5.1) Data for 1997. See Appendix A for coding of cases.

*Independent Variables*

*English legal origin* [BRITISHL]. 0 = all other, 1 = English legal origin. *Source*: La Porta *et al.*, 'The Quality of Government.'

*Democracy* [DEMO1900] Years democratic in the 20<sup>th</sup> century (1900–95). Scored as democratic where at least two consecutive years are 5–10 in the PolityIII database ('Democracy' variable), or – if not covered by PolityIII – where at least two consecutive years are 1–4 in the Freedom House database. Adjustments made to PolityIII scores for South Africa.

*Energy imports* [ENERGYIM] Net energy imports as % of commercial energy use. *Source*: World Bank, *World Development Indicators* (CDRom) (Washington: World Bank, 1998). Data for 1995.

*GDP/cap (ln), 1970–95* [GDPCA7LN]. Real GDP/capita, averaged from 1970–95 (ln). *Source*: World Development Indicators, obtained from La Porta *et al.*, 'The Quality of Government'.

*Parliamentarism* [PARL1]. 1 = presidential, 2 = semipresidential, 3 = parliamentary. Coding represents the *predominant* institutional form over the previous two decades. See Appendix A for coding of cases.

*Protestantism* [PROT]. % Protestant. Orthodox Christian coded as non-Protestant. *Source*: CIA, *The World Factbook* (Washington: Central Intelligence Agency, 1999) <<http://www.cia.gov/cia/publications/factbook>> Supplemented by figures from Patrick Johnstone, *Operation World* (Grand Rapids, Mich.: Zondervan, 1993), 34 for African countries.

*Socialism* [SOCIALIS]. 0 = all other, 1 = socialist state (present or former). *Source*: La Porta *et al.*, 'The Quality of Government.'

*Unitarism* [UNITARY5]: Territorial government + Bicameralism (transformed scale). *Territorial government*: 1 = non-federal, 2 = semi-federal, 3 = federal. *Bicameralism*: 0 = no upper house or weak upper house; 1 = upper house not dominated by lower house (where some effective > veto = power exists, though not necessarily a formal veto); 2 = same as above but also noncongruent. Coding represents the *predominant* institutional form over the previous two decades. Scale reversed to facilitate interpretation (high score means more unitary). See Appendix A for coding of cases.