Corruption across Autocracies: Regime Type Matters

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Research Project

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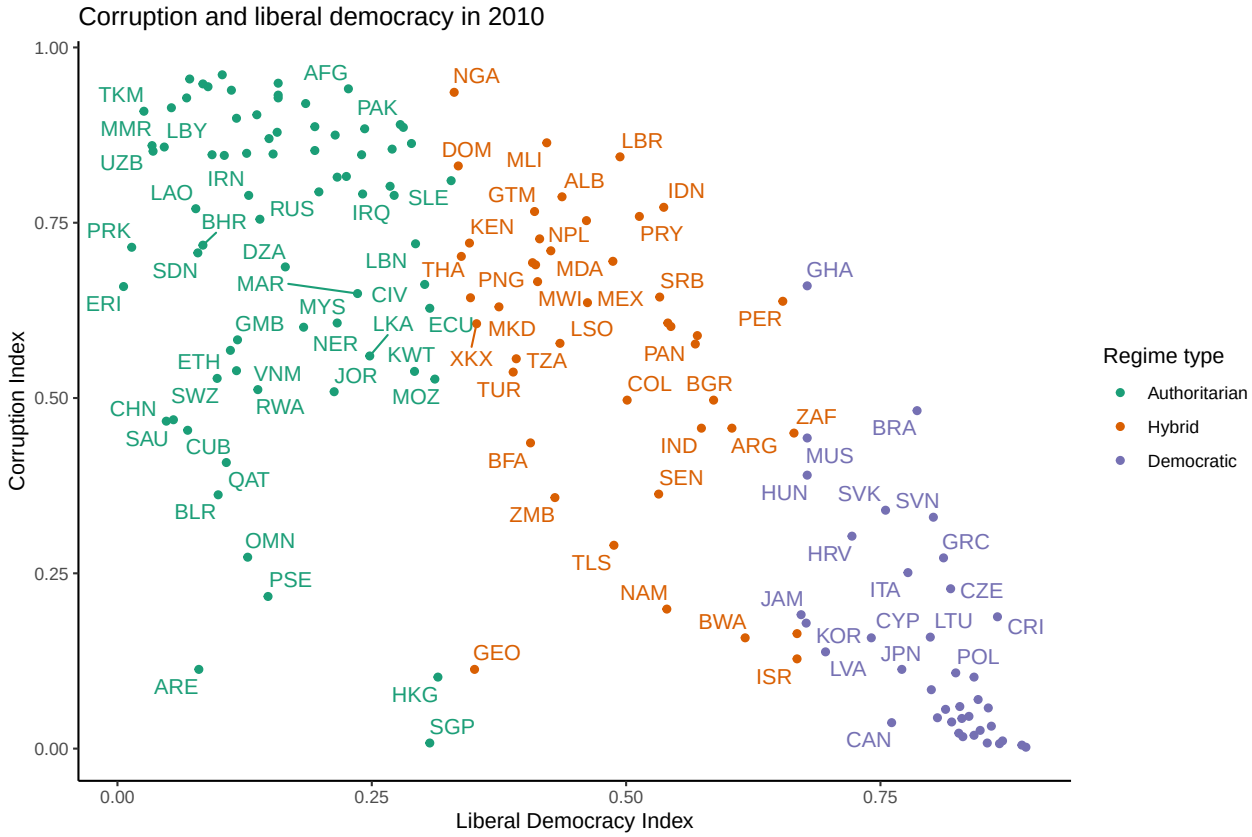
22 December 2022

Introduction

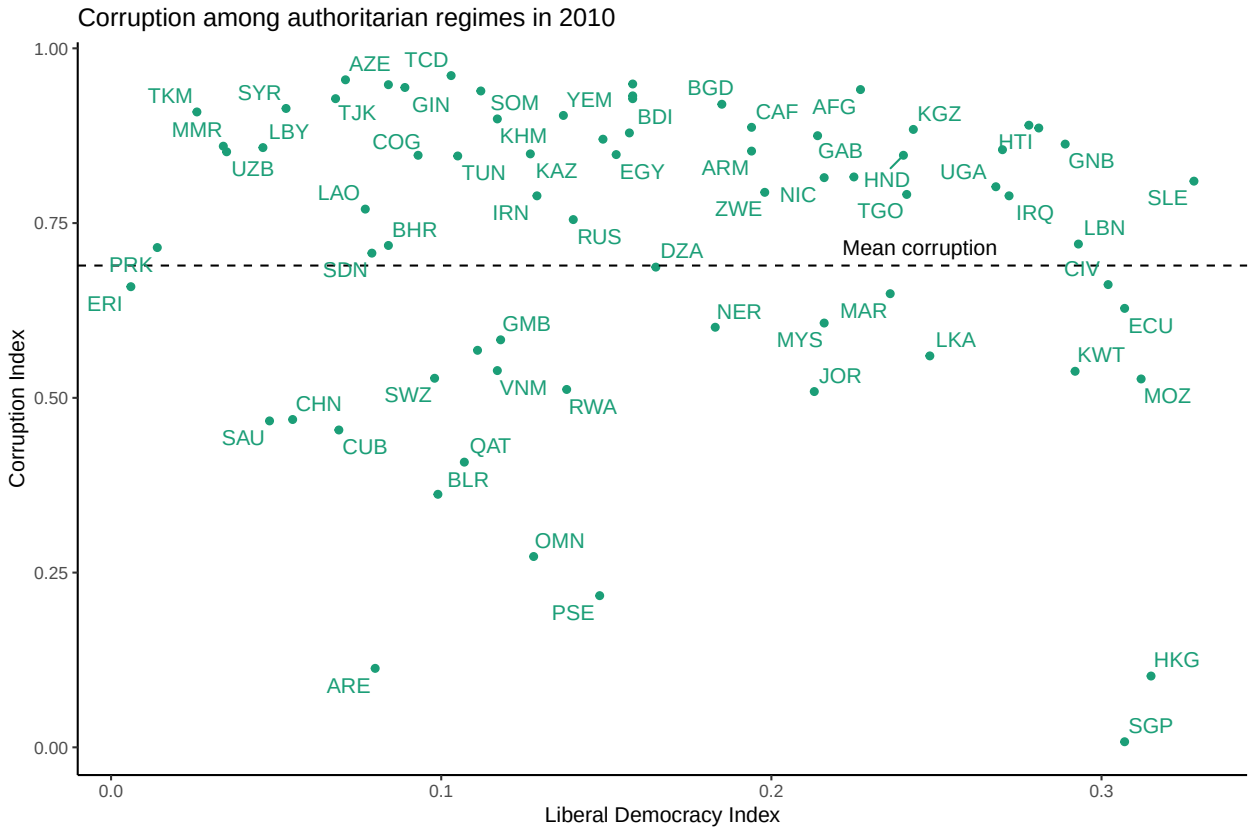
The relationship between liberal democracy and corruption is usually a negative one. We generally observe that levels of corruption decrease as a country gets more democratic. However, the relationship between corruption and democracy is not as straightforward when we look at countries which are less democratic.

Perhaps counter-intuitively, there are authoritarian countries which are quite transparent in their operations. There is a significant amount of variation in authoritarian regimes, which indicates to us that not all authoritarian regimes are equal when it comes to corruption.

Figure 1 demonstrates this phenomenon below for the year 2010.



It is easy to notice that democratic states generally exhibit low levels of corruption. There is far more variance in authoritarian and hybrid regimes, though the latter is to be expected. Due to the arbitrary nature through which regime types were defined, borderline cases should be treated as anomalies: the figure is for illustrative purposes as opposed to an analytical one. We can see that while authoritarian regimes tend to be quite corrupt in general, there exists some meaningful difference within the group. Figure 2 below provides a clearer look at solely authoritarian regimes by zooming in on them, showing the variance in corruption levels more clearly. The dashed line represents the mean level of corruption among these states.



However, just as not all authoritarian states are equal, not all corruption is equal. The literature draws a distinction between political and bureaucratic corruption (Zaloznaya 2015; Heywood 2017). The former refers to high-level corruption, while the latter refers to what can also be called "petty corruption", i.e., low and medium-level civil servants receiving bribes to facilitate bureaucratic processes. The terminology for these two types of corruption vary across the literature. For the purposes of this study, the phrase "executive" will refer to high-level officials, which is restricted to the head of state, the head of government, and cabinet officials. On the other hand, "public sector" will refer to all other members of state bureaucracy and civil service. This is a useful distinction, as it permits us to explore the causes and consequences for either separately. These, too, have measures attached to them, which the V-Dem Dataset (Coppedge et al. 2022) includes. Therefore, we are able to understand the differences between political and bureaucratic corruption without being restricted to an aggregated, all-encompassing corruption perceptions index.

Geddes (1999) and Geddes, Wright, and Frantz (2014) both make distinctions between types of autocratic regimes. For the purposes of this paper, this is crucial. In seeking to understand the variations between different authoritarian regimes, the differences in their mode of authoritarianism must be included in the theoretical model being built. In other words, the differences between personalistic regimes, single-party regimes, and monarchies may well have an impact on the degree and type of corruption observed in the country.

Regime duration also has an effect on corruption. Goel and Nelson (2021) show that regime inertia can contribute to

corruption by utilising the chief executive's time in office as the operational measure for regime duration. However, Geddes, Wright, and Frantz (2014) make a strong argument for an alternative method of conceptualising regime inertia: a regime may endure, but the ruler may change (e.g., North Korea under the Kim dynasty, China under the Communist Party of China, or the clerical regime in Iran; examples are legion). Therefore, it is not the chief executive that ought to be focused on, but instead the political system as a whole. The V-Dem project's definition of regime appears to be closer to what Geddes, Wright, and Frantz (2014) suggest. Therefore, that is the measure which shall be used as opposed to simply the chief executive's time in office.

I expect that personalistic regimes to be more focused towards enriching the ruler and their immediate circle as opposed to establishing a set of comprehensive state institutions intended to facilitate "good governance". The political framework explained by Smith and Mesquita (2011) gives a good reasoning as to why: plundering the state is a good way to secure one's power (and by extent, one's physical safety) in such a regime. Therefore, the first hypothesis is as follows.

H_1: Personalistic dictatorships will foster higher levels of executive corruption relative to other party regimes.

This assumes that the regime under a personalistic dictator is largely built in order to facilitate the transfer of state resources to the ruling elite. This is largely due to the nature of the political system, where resource transfers are the key to political survival. In other words, it assumes that a dictator is interested in remaining in power and not necessarily in developing their country. The longer such a regime survives, the longer it has been channelling resources to its elites. Therefore, a second hypothesis can be formulated:

H_2: Regime duration is expected to have a higher effect on executive corruption in personalistic dictatorships compared to party regimes.

Some specific states have a legacy of being so-called "developmental states". These states historically combined a closed political system with institutions geared towards increasing economic output. In contrast with personalistic regimes, these "developmental states" did not channel state capacity towards the transfer of public funds to private individuals. However, the research undertaken by this paper is not a time-series analysis. Instead, it focuses solely on a specific year. There were no "developmental states" in practice in 2010. The ones that have such legacies, such as Taiwan and South Korea have long since transitioned to fully democratic systems. Those that do remain, such as Singapore, are rare.

That being said, it is reasonable to expect that a well-structured civil service and bureaucracy will alleviate the effects of regime type on corruption. Therefore:

H_3: More competent and impartial civil service will have a negative impact on both executive and public sector corruption of both kinds.

Methodology and Data

This research project will utilise a variety of different data in order to accomplish its objectives. The primary data source is the V-Dem Dataset (Coppedge et al. 2022) which incorporates a vast trove of information on every country, including various indices for democracy, corruption, and the concentration of power. The data set compiled by Geddes, Wright, and Frantz (2014) includes regime type for authoritarian countries as well as the longevity of these regimes up until the year 2010. Therefore, barring an extension of their coding, the constraints of the data restrict the upper bound of this study to the year 2010, which is a limitation of the research.

Utilising these two different data sets, this study will use linear regression models in order to understand how corruption is predicted by the independent variables. Specifically, it will seek to understand how autocracy type affects different types of corruption, and whether there is a meaningful difference between corruption outputs. In other words, the study will search for different effects on high-level corruption and low-level corruption, as well as the type of corruption (i.e., whether the corruption involves embezzlement of public funds, or the channelling of such funds to cronies).

In order to get a better picture, several control variables will also be incorporated. The first is natural resource rents per capita. This includes, but is not restricted to, petroleum and natural gas. This is because some countries have no significant petroleum or natural gas reserves, but rely on raw natural resource exports (e.g., rare earth minerals) regardless. This variable—within the V-Dem data, but drawn directly from the World Bank—includes these, and is more comprehensive. Such states could be incorporated with a dummy variable, but this would require ultimately arbitrary researcher judgement to determine at which level of exports a country is considered a rentier state. Overall, the value of total exports of natural resources per capita is a better measure to utilise as a control variable as it allows more flexibility.

Another variable is public administration impartiality. While I include no direct variable to account for developmental states for reasons stated in the previous section, I do incorporate a variable measuring public administration impartiality in order to test the third hypothesis. This variable is intended to capture the legacy of a developmental state (or any other effort towards "good governance"). Institutions are durable and often have long-lasting legacies. Even if a coup, revolution, or other drastic political change occurs, the institutions may remain in place in some shape or form. Therefore, this variable will be useful to understand whether an impartial, efficient, and overall good public administration system in place negates the effect of regime type.

Table 1 shows descriptive statistics for the V-Dem Dataset (Coppedge et al. 2022) for the variables of interest.

Table 1: Summary statistics for sample

Variable	Mean	Standard Deviation	Minimum	Maximum
Regime duration (days)	8,980.010	14,812.780	0.000	95,327.000
Corruption Index	0.689	0.232	0.008	0.962
Liberal Democracy Index	0.146	0.078	0.012	0.330
Public sector bribery	2.831	0.778	0.085	3.833
Public sector theft	2.427	0.764	0.127	3.795
Executive bribery	2.718	0.957	0.096	3.911
Executive theft	2.721	0.869	0.221	3.901
Public administration impartiality	1.577	0.707	0.141	3.835

As Table 1 shows us, despite the very limited range of liberal democracy (between 0.012 and 0.330), there is great variance in overall corruption, public sector bribery and theft, executive bribery and theft, and public administration impartiality. The upper bound of liberal democracy is by design, as the category of "authoritarian" was determined through the liberal democracy index variable's value, with countries falling below 0.33 classified as such.

While the original data codes the four corruption indices from 0 to 4 with 0 representing the most corrupt and 4 the least corrupt, this has been inversed for this paper. This is purely due to analytical ease and practicality; otherwise, the results in the following section are difficult to intuitively interpret. Therefore, in this paper, 0 represents the least corrupt, while 4 is the most corrupt.

Analysis and Results

This study involves several different regressions in order to test the hypotheses involved. First, I construct a series of three models to see the effects of different autocratic regime types on overall corruption. Then, I delve further into the effects of regime type on various types of corruption.

The first series of models run are simple, being an effort to understand the relationship between regime type and overall corruption, controlled solely by regime duration.

Table 2: Regression of regime types and on general corruption

	Model 1
Regime: Party	0.616***
	(0.029)
Regime: Personal	0.861***
	(0.027)
Regime: Monarchy	0.524***
	(0.036)
Logged regime duration	−0.009**
	(0.003)
Num.Obs.	881
R2	0.914
R2 Adj.	0.914

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2 gives us intuitive yet somewhat expected findings. Personalistic regimes appear to have a positive effect on corruption, while party regimes have a positive but less substantially visible effect. All of these effects are statistically significant, even when we control for regime duration. Regime duration itself seems to have a negative effect on corruption which is statistically significant, though substantially negligible. This, however, is a very basic model which does not distinguish between types of corruption, nor does it control for other potential confounding variables. Moreover, it does not include an interaction term between regime type and regime duration, which may be a confounding factor. Further investigation is required in order to better qualify this unsurprising result.

Table 3: Regime types and bribery and embezzlement

	Executive		Public sector	
	Bribery	Embezzlement	Bribery	Embezzlement
Regime: Party	3.768***	4.092***	4.022***	3.537***
	(0.149)	(0.150)	(0.128)	(0.125)
Regime: Personal	3.760***	3.564***	3.857***	3.460***
	(0.124)	(0.125)	(0.106)	(0.104)
Regime: Monarchy	4.585***	3.549***	4.285***	2.849***
	(0.343)	(0.345)	(0.293)	(0.287)
Regime duration	−0.161***	−0.009	−0.042	0.045
	(0.036)	(0.036)	(0.031)	(0.030)
Impartial pub. adm.	−0.674***	−0.710***	−0.666***	−0.601***
	(0.030)	(0.030)	(0.026)	(0.025)
Resource rents	0.020*	0.038***	−0.021**	−0.023**
	(0.009)	(0.009)	(0.008)	(0.008)
Party X Regime duration	0.120**	−0.082*	0.006	−0.090**
	(0.039)	(0.040)	(0.034)	(0.033)
Personal X Regime duration	0.199***	0.056	0.075*	−0.014
	(0.039)	(0.039)	(0.033)	(0.032)
Num.Obs.	721	721	721	721
R2	0.953	0.951	0.967	0.958
R2 Adj.	0.953	0.950	0.967	0.958

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The differentiation between bribery and embezzlement is a central point of this paper. The former refers to the granting of favours in exchange for bribes; the latter refers to the transfer of public funds to private accounts. Furthermore, I make a differentiation between top-level officials—executives—and relatively ordinary bureaucrats and civil servants. The phrase "executive" in this case refers to high-level officials, operationalised as the very top of the state—head of state, government, and cabinet officials—as the agents in this interaction.

Table 3 shows the results for a two models which test the effects of regime type on executive bribery and embezzlement,

respectively. We can see that all regime types have a statistically significant effect on all types of corruption. While there are differences in coefficients, the interpretation of this is a somewhat unexcitingly intuitive result: authoritarian regimes, in general, positively predict corruption at all levels. However, the models also incorporate interaction terms between regime duration and regime type, with monarchies being taken as the reference level. As expected, an impartial public administration applies downwards pressure on corruption across the board. Finally, natural resource incomes are positively associated with executive corruption, but negatively with public sector corruption.

It appears that regime duration in party regimes has a *negative* relationship with embezzlement, in both the executive level and the public sector, while the positive effect on bribery is retained. A different, albeit similar outcome in personalistic regimes is observed: while the directionality remains positive for executive embezzlement, it is no longer statistically significant. Public sector embezzlement turns negative, but is also statistically insignificant. When interaction terms are added, we see that regime duration on its own is no longer statistically significant for any of the dependent variables except executive bribery.

Overall, while the initial part of the analysis is unsurprising, the results which come from the interaction terms are interesting and permit some discussion, which shall be undertaken in the next section of the paper.

Discussion and Conclusion

We are unable to reject the null for the first hypothesis. Personalistic regimes are surpassed by both party regimes and monarchies on executive bribery, and by party regimes on executive embezzlement. On the other hand, the null hypothesis for the second hypothesis can be rejected. Personal dictatorships—when interacted with regime duration—do seem to exhibit higher levels of corruption than party regimes, with monarchies as the reference. Finally, we are also able to reject the null hypothesis for the third hypothesis, as an impartial public administration decreases corruption for all types of corruption.

The interaction of regime duration with two regime types yields interesting results. In party regimes, it can be seen that only executive bribery is affected positively by regime duration, while executive embezzlement and public sector embezzlement are affected negatively. This is puzzling. One would expect that the longer a party regime survives, the more it would have room to embezzle public funds. Instead, this does not appear to be the case. On the contrary, embezzlement appears to be going down, while bribery is influenced positively.

On the other hand, personalistic regimes yield more intuitive results. We see that the longer a personalistic regime survives, embezzlement at both the executive and the public sector levels increases. This may be due to the general breakdown of oversight over all aspects of governance. Such lack of breakdown would allow even the smallest of

agencies and their departments to carve out tiny fiefdoms for themselves where their leaders can enrich themselves with minimal interference, provided they are loyal to the leader.

Some of the other results also warrant detailed discussion. The first is the effect of natural resource rents on corruption. We see that it has a positive effect on both executive bribery and embezzlement, but a negative effect on public sector bribery and embezzlement. A potential explanation for this is the nature of natural resource incomes. Resources such as petroleum, natural gas, or minerals are often extracted by corporations—state-owned or privately-owned—and are usually processes which require extensive operations. These operations are usually dealt with at higher levels of government, which may necessitate negotiations for permissions, licences, and so on with officials as high as the cabinet level. Therefore, it is reasonable to think that countries with high natural resource incomes have a higher degree of executive corruption, with these executives receiving bribes in exchange for drilling licences, export licences, and so on. On the other hand, the public sector is less likely to receive kickbacks from this type of corruption, as natural resource wealth in a highly corrupt system is unlikely to translate to more bribes in the public sector (i.e., the lower bureaucracy and civil service).

Substantially, the results show that there may indeed be differences in how regime types influence which types of corruption. However, the results indicate that further studies need to incorporate regime duration. Regime type is significant across all types of corruption, but interacting regime type with regime duration yields different results, where nuance can be captured. Generally, the theoretical framework laid out by Zaloznaya (2015) deserves further empirical analysis, particularly when we consider that data is indeed available to measure the different forms of corruption.

This paper has attempted to do so, by seeking to understand the ways in which different authoritarian regimes affect different types of corruption. These were defined as executive and public sector corruption, referring to high-level government officials and the bureaucracy, respectively. The findings suggest that personalistic regimes can be expected to exhibit higher levels of executive corruption as well as public sector corruption relative to party regimes.

This study is not without its limitations. One limitation is, as is often the case with cross-country studies, a limited sample size. While there are unfortunately no shortage of authoritarian regimes in the world, the absolute number from an academic point of view is insufficient. Therefore, future research which involves novel ways to increase sample size would most likely increase the explanatory power of the models involved. An additional limitation is the absence of data post-2010. This prevents the capture of changes in politics and corruption following the 2008 financial crisis as well as the subsequent 2009 Eurozone crisis. The second, more recent (and arguably ongoing) event it does not capture is the 2019 Covid-19 pandemic. While none of these events are necessarily directly involved with corruption per se, they are still systemic, exogenous shocks to both democratic and non-democratic forms of governance. Therefore, there may be an avenue of future research which investigates whether these events—and their effects on broader society and politics—represent critical junctures in terms of corruption trajectory.

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