Does corruption acceptability varies in every society?

Author

Carlos Utrilla Guerrero, MSc Manchester University, SRMS.

Supervisor assignment

Prof. Dr Albert Varela
Cathie Marsh Institute for Social Research
Manchester University
E-mail: Albert.varelamontane@manchester.ac.uk *(deprecated)*

Course

Methodology and Research Design

Abstract

A detailed comparison between different countries to explain the variability of corruption acceptability will be carried out in this study. Although there is a significant public and academic interest in theses social phenomenon, little conclusive evidence has been drawn from individual level analysis. Cultural values and democratic followers will be examined as different levels of corruption accepted by society. The objective of this paper is to contribute to the debate surrounding how corruption acceptability varies among countries using a micro level approach through European Social Survey. We explore and analyze the causal effect of corruption on certain cultural values of each region.

Introduction

Corruption is an extremely hidden phenomenon that has existed in our societies for centuries. Corruption comes close whenever major events involving large sums of money, multiple 'players', or huge quantities of products - often in disastrous situations - are at stake. Moreover, in many exchanges of power for privileges, both parties try to keep their transaction secret. Preferably, corruption flourishes in situations involving high technology (no one understands the real quality and value of products), or in situations that are chaotic (civil war, natural disasters, floods, droughts). In these scenarios the international community reacts quickly but, local government and citizens might be disorganized and disoriented. In such case, who maintains law and order?

Mostly, the sums of money involved are huge; a relatively small amount of corrupt payment seldom attracts attention. Geo-political situation might play a role as, for instance, the East-West conflict did in the second half of the 20th century, in which the major country-alliances sought support from non-aligned countries. That makes it increasingly difficult to conceptualize and measure how wide and deep corruption penetrated our economy and social life. Moreover, what for some society is no more than 'a friendly act' is for others 'illegal behavior'.

Nevertheless, these particular conditions described above, mean that each country might have different levels of corruption embedded in its society as well as different grades of acceptability of corruption.

Objectives

The aim of this proposed research is to enhance the measurement of corruption acceptability by bridging sociological and cultural frames per country in order to develop an Index of Corruption. By using micro-level data for principally European countries that directly measure individual characteristics; I will investigate the relationship between the cultural values and acceptance of corruption.

Theoretical Framework

To clarify the concept of corruption, I should deal with different dimensions depending on the definition.

Def.1. […] *Corruption is the misuse of public office (by elected politician or appointed civil servant) for private gain' (Svensson, J. 2005) or the 'breaking of a rule by a bureaucrat (or an elected official) for private gain' (Banerjee et al., 2012).*

In order to ensure that private corruption between individuals and businesses could also be covered by the same simple definition (not merely relating corruption with public power):

Def.2. […] *Corruption is the misuse of entrusted power (by heritage, education, marriage, election, appointment or whatever else) for private gain.*

It covers not only the politician and the public servant, but also the companies, the notary public, the administrator or admissions-officer of a private school or hospital, the coach of a soccer team. This definition allows the consideration of the whole society to determine corruption acceptability.

Why has fighting corruption in many countries been so difficult? The literature has found that economic, political, and social systems of the country depend on the effectiveness of the judicial system and repercussions for those considered to be corrupt. (La Porta et al.). The one slightly more hopeful finding is that corruption acceptability is lower in developed economies with established liberal democracies (Treisman, 2000), fiscal decentralization (Fisman and Gatti, 2002), with a free read press (Brunetti and Weder, 2003), a high participation of women in government (Dollar et al., 2001; Swamy et al., 2001) and a history of openness to trade (Treisman, 2000).

An equally complicated set of factors might be thought to affect the expected acceptability of corruption are: (1) Various authors have suggested that in traditional societies, where the lines between public and private are less clearly drawn and where tribute giving is not clearly distinguished from bribery, the social stigma may be lower — or non-existent (Myrdal, 1970, p. 237). In other words, some have argued that political stability provides the time for reputations to build and relationships to form across the public–private border in which both

sides can have confidence. (2) Moreover, the attempt to apply traditional norms to a complex, modern economy is a recipe for corruption.

(3) Another well-known study based on corruption analysis is Ades and Di Tella (1999) who suggest that in countries with large endowments of valuable raw materials such as fuels, minerals, and metals corruption may offer greater potential gain to those who allocate rights to exploit such resources. Furthermore, political stability might actually increase the expected returns to corruption. Olson (1982) and Geddes (1997) associate paralyzed economic growth to the accretion of interest groups with ties to officials.

Finally, another way which might affect the perceived costs of corrupt actions is the influence of religion. Religious traditions have often been thought to condition cultural attitudes towards social hierarchy. Where more hierarchical religions — Catholicism, Orthodoxy, Islam — more corruption practices might be. (Triesman, 2000).

Acceptance of corruption Index

Transparency International (TI), the World Bank (WB) and the International Country Risk Guide (ICRG) are the most comprehensive index of perceived corruption ratings, to addressing corruption in the empirical approach estimated by cross-country regression. The major problem with all the corruption perception measures produced by, for example, CPI or WB, is that they are not a perfect instrument for current levels of corruption, since it assesses perceptions rather than behavior. Given that the data is subjective in nature, it is prone to bias, making inference difficult. Thus, results from the CPI should be interpreted with caution.[1]

Although the work of mainly theoretical scholars has depended on the understanding of corruption perception, their work has not been appropriately operationalized. On the contrary, the difficulty of measuring levels of relative corruption and acceptability in different countries has presented a major obstacle. Recently, however, the vast majority of economists have begun to analyze indexes of 'perceived' corruption based on survey responses of local residents. An index of corruption permissiveness based on citizen responses to survey questions may reflect the extent to which corruption is justified in different societies.

The index of corruption acceptability for one society proposed will be a measure of culturally justifiable corrupt practices. The objective should be to determine how such an idiosyncrasy of one social group, justifies different levels of corruption. Through individual

responses where individuals justify "claiming government benefits to which you are not entitled", "avoiding a fare on public transport", "cheating on taxes if you have a chance", and people "accepting a bribe in the course of their duties" (Rasma Karklins, 2005), I will examine the corruption acceptability per country. Questions regarding the extent to which respondents justify acts of corruption are likely to be contaminated with social desirability biases: it may be hard to admit that such acts are indeed justifiable.

Literature Review

A detailed review of literature will comprise the first step of the project. Aspects to be covered include causes of corruption, different approaches and measurements to investigation, and the relationship with cultural values of the society.

Conceptual Framework: Culture and Corruption.

Culture is "shared" among group members, and indeed, the group may be defined by these shared values. We can further distinguish two channels through which culture operates: social norms- informal rules, driven by values and beliefs that govern interaction, and are both shared and sustained by group members.- and formal institutions - formal rules governing individual interaction, and are also influenced by values and beliefs – (Harrison and Huntington 2000).

However, political actions can also influence culture through institutions, making culture and institutions difficult to disentangle. Formal institutions are readily observable, and provide some insight into culture, while informal rules are more difficult to observe. Indeed, social norms and institutions can be in harmony, or in direct conflict with each other. Culture interacts with corruption through formal institutions and social norms, both of which can differ across countries. For a government that seeks to inhibit corruption, the goal is to devise formal institutions that can reinforce existing social norms. Formal and informal rules may not be in congruence with each other. (Danila Serra, Leonard Wantchekon, 2012).

Indeed, the institutional factors outlined above by Treisman (2007) (democracy, free press, female representation, openness to trade, and growth), and such cultural factors are an important part of the puzzle.

To clarify, when the social psychology of corruption or lack of corruption becomes the norm, there is a need to try to understand the process by which people feel more or less comfortable about engaging in corruption and the factors involved. This dereliction seems odd given the fact that cultural values have such a significant impact on a wide array of quotidian

practices in different countries. We define cultural values based on Hosfstede's dimensions that may have an impact on one's attitudes towards corruption.

To illustrate the relationship between culture value and corruption, Husted (1999) outlines how four dimensions of culture are related to corruption. He argues that cultures with *high power-distance* (i.e. the degree to which power is unequally distributed between members) are more likely to engage in corruption due to paternalism. Furthermore, countries that are *highly collectivist* are more susceptible to corruption because individuals are more likely to violate laws if said laws run counter to moral codes. *Masculine* cultures are more likely to be competitive, and value material gains over "quality of life" (Hofstede, 1997, pg. 82), which would yield higher corruption.

Additionally, Swamy et al. (2001) find that female representation in the labor force and in political institutions has a negative effect on corruption. Following the publication of two studies in 2001 (Dollar et al., 2001; Swamy et al., 2001), international development agencies started actively promoting the view that integrating women into the public realm could be a viable anti-corruption tool as women tend to be less corrupt than men. Based on regression modeling of country-level panel data, Dollar et al. (2001) had found that an increase in female representation in parliament would have a significant impact in reducing corruption. On the other hand, Swamy et al. (2001) used micro-level data and also found a similar link between gender and corruption. Using data from the World Values Survey, Swamy et al. (2001) found that women were more likely than men to condemn bribe-taking. Nevertheless, these results have been subject to criticisms. Alhassan-Alolo finds, using data on hypothetical scenarios, that females did not exude higher ethical standards than men and argues that women may not necessarily prove to be less corrupt than men when exposed to environments characterized by corrupt opportunities and networks. La Porta et al. (1997) finds that power distance and masculinity are positively related to corruption.

Furthermore, Treisman (2000) notes that countries with a higher percentage of Protestants are likely to be less corrupt. Also, Serra finds in his study a similar results to Treisman (2000) in countries with a higher percentage of Protestants exhibiting lower levels of corruption.

They further argue that this asymmetric power distribution is particularly prevalent in hierarchical and strongly centralized religions, and influences countries with a strong organized religion (they classify Catholic, Eastern Orthodox, and Muslim religions to be hierarchical).

In each of the studies above, culture is used to refer to multiple underlying elements (such as paternalism, familialism, uncertainty avoidance, etc.), which tend to overlap. These elements influence, and are influenced by both norms and institutions.

Support for Democracy and Corruption - What about support for democracy and acceptance of corruption as cultural idiosyncrasy?

There are significant cross-national variations in justified corruption, and attitudes toward corruption are indeed strongly and negatively related to democratic attitudes. This is particularly the case when correlated with support for democracy, both being important components of a democratic political culture.

In sum, as A. Moreno mentioned in his study: […] '*Corruption and democracy seem antagonistic, not just for the fact that democratic institutions increase government transparency, but also because corruption permissiveness at the citizen level is negatively related to support for democracy. Nonetheless, support for democracy as such is not an indicator of how democratic a country is. It reflects the extent to which democratic rule is massively accepted. In this section I have shown how such acceptance is related, generally, to rejection of morally corrupt practices'.* (A. Moreno, 2012)

Rationale

There are limited numbers of studies providing extensive and recent advances in measuring corruption in the field. (e.g., Swamy et al., 2001; Svensson, 2003; Torgler and Valev, 2006; Dong and Torgler, 2009; Dong et al. 2012; Guerrero and Rodríguez-Oreggia, 2008; Mocan, 2008; Torgler and Valev 2010). Mocan (2008). Thus, we seek to contribute to the relatively small set of corruption studies based on micro data analysis.

In 1995, Mauro opened the discussion highlighting the link between corruption and economic growth. Throughout this decade, many studies in economics have focused on examining the macro effects of corruption and why some governments are perceived to be more corrupt than others.

Nevertheless, the most common approach to measuring corruption in the field is by 'minding gaps in the data,' suggesting corrupt behavior. Such gaps might be identified in case of mismatches between different data sources; mismatches between administrative data or simply because two primary sources of data do not add up. More recently, doubts have surfaced regarding the reliability of these aggregate acceptance indices; several researchers have found

that acceptance of corruption does not correlate highly with citizens' actual experiences with corruption based on micro-surveys of individuals.

The vast literature suggests that it is possible that the experiences based on measuring are either noisier, or suffering bias, or measuring different phenomenon, making the inferences unreliable. Svensson (2005) found that in regressions using the incidence of bribes as the dependent variable that the coefficient on log GDP per capita is highly significant while the corruption indicators are insignificantly different from zero. Razafindrakoto and Roubaud (2010) combine population and expert opinion surveys in a mirror survey in sub-Saharan African countries and find that experts do not provide a good gauge of the real level of petty bureaucratic corruption and instead tend to systematically overestimate the extent of corruption. Olken (2009) finds using Indonesian data that the magnitude of the correlation between reported corruption perceptions and actual missing expenditures in the project is small.

Research questions

The main research question is: How much corruption is accepted by our society?

Throughout this research, I want to enhance the measure of corruption acceptability by bridging sociological and cultural frames per each country. Therefore, (1) I will construct a subjective index of Acceptability of Corruption based on individual survey which implies different approaches to statistics techniques. In addition, (2) how cultural norms influence in different levels of Acceptability of Corruption. I will examine the relationship between the Index proposal and cultural values of the society. Finally, (3) I will explore and analyze testing which is the Democratic Follower Effect that intends to justify corruption practices in our society.

Data, Measures and Methods

I will make use of the sixth round of the European Social Survey (ESS) data which covers 30 nations and 47,537 persons during the period 2012-2013. The hour-long face-to-face interview in the ESS included (amongst others) questions on family, work and well-being, health and economic morality. I will use data from the second round because it includes three key questions about corruption acceptability.

The culture dimensions will be measured using data from the Hofstede project, which is considered appropriate and representative to measure the cultural dimension among the countries. Cultural values and practices dimensions in the in Hofstede include: power distance (PDI), individualism versus collectivism (IDV), masculinity versus femininity (MAS), Uncertainty Avoidance (UAI), Long-Term Orientation (LTO), Indulgence versus Restraint. Davidov steps to test for equivalence across nations in ESS Survey will be processed: (1) Confirmatory CFAs for each country (Byrne 2001) and (2) Multiple-group confirmatory factor analysis MGCFA.

Statistical Modeling

I will formulate a fitting model to explain individual level variation in corruption acceptability, based on appropriate explanatory variables from the dataset. Select up to these variables, I will explore and analyze the derived score from the Index of Corruption, finding the most and least corrupted areas. Statistical methods include descriptive statistic such as cross-tabulations and regression. This analysis would allow you to identify whether there is a statistically significant relationship between supported democracy and our Corruption Acceptability Index. A more in-depth assessment might include a discussion of reverse causation. I will run a factor analysis of each item to load on a common factor. In addition, I will check the internal consistency (Crobranch's). A cluster analysis will also be run to enhance the relationship with the previously obtained solution.

Each test will use SPSS and STATA statistic software and every item is based on empirical, conceptual, and theoretical evidence trying to reach the reliability and consistency of each concept.

Measuring corruption acceptability

By using data reduction techniques, I would convert each question of ESS survey into an additive index which summarizes the responses into a five-point scale where 1 means respondents consider these acts as "never justifiable" and 5 as "always justifiable". Each variable is originally measured using a ten-point scale (where 1=never justifiable and 10=always justifiable).

The index is based on individual responses to questions of 4 items supported by previous studies: The extent to which individuals justify "claiming government benefits to which you are not entitled", "avoiding a fare on public transport", "cheating on taxes if you have a chance", and people "accepting a bribe in the course of their duties". (Rasma Karklins, 2005)

Measuring Democracy support.

The five-point composite index of support for democracy is based on responses to 4 questions as A. Moreno suggests: whether "having a strong leader who does not have to bother with parliament and elections" is an acceptable or poor way of governing the country, whether "having the army rule" is positive or negative, whether respondents agree or disagree both that "democracies are indecisive and have too much quibbling", and that "democracies aren't good at maintaining order".

Covariates measurements

Briefly, each explanatory variable included in the analysis has been justified by literary support. Potential cofounders of the association acceptability of corruption include **sociodemographic** (e.g., age, years of schooling, gender, marital status etc.) cultural values (Hosfede Index) of each country, trust and materialisms (Dong and Torgler, 2009; Torgler and Valev, 2010; Guerrero and Rodríguez-Oreggia, 2008)., and psychosocial factors including depression, anxiety, cynical hostility, negative affect, optimism, positive affect.

Conclusion

As I have been explained above, the outcomes expected of this research will be related to the type of individuals within each country. Moreover, in micro level determinants of corruption, I will reach different conclusions compared with traditional perfective of whether a bureaucrat has misused public office for private gain. Indeed, based on European Social survey as our main empirical analysis, the measurement of acceptability of corruption will be a different alternative that could be used as a new approach to research.

Finally, I will expect to achieve and figure out a new values approach, broad enough, reliable and sophisticated, to contribute to the enhancement of the corruption debate.

Bibliography

Ades, A., Di Tella, R., 1999. Rents, competition and corruption. American Economic Review, forthcoming.

Alhassan-Alolo, N. (2007). Gender and corruption: testing the new consensus. Public Administration and Development, 27, 227–237.

Banerjee, A., S. Mullainathan & R. Hanna. (2012). Corruption. NBER Working Paper No. 17968.

Brunetti, Aymo and Beatrice Weder. 2003. A free press is bad news for corruption. Journal of

Public Economics, 87:1801-1824.

D. Serra and L. Wantchekon (2012). Anti-corruption Policies: Lessons from the Lab. New Advances in Experimental Research on Corruption Vol 15.

Dollar, D., R. Fisman & R. Gatti. (2001). Are women really the 'fairer' sex? Corruption and women in government. Journal of Economic Behavior and Organization, 46, 423-29.

Dong, B. & B. Torgler. (2009). Corruption and political interest: empirical evidence at the micro level. Journal of Interdisciplinary Economics, 21, 295-326.

Fisman, R. & R. Gatti. (2002). Decentralization and corruption: evidence across countries. Journal of Public Economics, 83, 325 –345.

Geddes, B., 1997. The political uses of corruption and privatization. Paper prepared for presentation at the annual meeting of the APSA, Washington DC.

Guerrero, M. & E. Rodríguez-Oreggia. (2008). On the individual decisions to commit corruption: A methodological complement. Journal of Economic Behavior and Organization, 65, 357-372.

Harrison, L. E., & Huntington, S. P. (2000). Culture matters: How values shaped human progress. New York, NY: Basic Books.

Hofstede, G. (1997). Cultures and organizations: Software of the mind. New York, NY: McGraw Hill.

Husted, B. (1999). Wealth, culture, and corruption. Journal of International Business Studies, 30, 339-60.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R.W., 1997a. Trust in large organizations. American Economic Association Papers and Proceedings 87 (2), 333-8.

Mauro, P. (1995). Corruption and growth. Quarterly Journal of Economics, 110: 681-712.

Mocan, N. (2008). What determines corruption? International evidence from microdata. Economic Inquiry, 46, 493-510.

Moreno, A. (2012). Corruption and Democracy: A cultural Assessment. .World Survey Value. 1 (3), 2-3.

Myrdal, G., 1970. Corruption as a hindrance to modernization in South Asia. In: Heidenheimer, A.J. (Ed), 1970. Political Corruption: Readings in Comparative Analysis. Holt, Rinehart and Winston, New York

Olken, B. (2009). Corruption perceptions vs. corruption reality. Journal of Public Economics, 93, 950-964.

Olson, M., 1982. The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities. Yale University Press, New Haven.

Rasma, Karklins (2005). The system made me do it : corruption in post-communist societies. Armonk, N.Y.: M.E. Sharpe.

Razafindrakoto, M., & F. Roubaud. (2010). Are international databases on corruption reliable? A comparison of expert opinion surveys and household surveys in sub-Saharan Africa. World Development, 38, 1057-1069.

Svensson, J. (2003). Who must pay bribes and how much? Evidence from a cross section of firms. Quarterly Journal of Economics, 118, 207-230.

Svensson, J. (2005). Eight questions about corruption. Journal of Economic Perspectives, 19, 19-42.

Swamy, A., S. Knack, Y. Lee & O. Azfar. (2001). Gender and corruption. Journal of Development Economics, 64, 25-55.

Torgler, B. & N. Valev. (2006). Corruption and age. Journal of Bioeconomics, 8, 133-145.

Torgler, B. & N. Valev. (2010). Gender and public attitude toward corruption and tax evasion. Contemporary Economic Policy, 28, 554-568.

Treisman, D. (2000). The causes of corruption: a cross-national study. Journal of Public Economics, 76, 399-457.

Treisman, D. (2007). What have we learned about the causes of corruption from ten years of cross-national empirical research? Annual Review of Political Science, 10, 211-244.

Svensson, J. (2005). Eight Questions about Corruption. Journal of Economic Perspectives—Volume 19, Number 3—Summer 2005—Pages 19–42