

Studies of the Effect of Democracy on Corruption

Shrabani Saha

and

Neil Campbell

Department of Applied and International Economics
Massey University, Palmerston North
New Zealand

Corresponding author:

Shrabani Saha
Email: S.Saha@massey.ac.nz
Phone: 64 (6) 350 5999 Extn. 2663
Fax: 64 (6) 350 5660

Prepared for the 36th Australian Conference of Economists
'Economics of Corruption Session'
Tasmania, Australia,
24-26 September, 2007

Draft: Please do not cite without authors' permission.

Abstract

This paper studies the influence of democracy on the level of corruption. In particular, does democracy necessarily reduce a country's level of corruption? The growing consensus reveals that there is an inverse correlation between democracy and corruption; the more democracy and the less corruption. This study argues that a simple 'electoral democracy' is not sufficient to reduce corruption. The role of sound democratic institutions, including an independent judiciary and an independent media along with active political participation is crucial to combat corruption. To illustrate the ideas, this study develops a simple model that focuses on the role of democratic institutions, where it assumes that the detection technology is a function of democracy. Under this assumption, the active and effective institutions lead to careful monitoring of agents, which increases the probability of detection and punishment of corrupt activities and reduces the level of corruption.

Keywords: Corruption; Bribery; Democracy; Development

JEL classification: D73; K42

1. Introduction

Corruption is viewed as one of the most severe bottlenecks in the process of economic development and in modernizing a country particularly in developing countries. Recent empirical research on the consequences of corruption confirms that there is a negative relationship between corruption and economic growth. High level of corruption lowers the ratio of total and private investment to GDP, and, consequently, lower economic growth (Mauro, 1995). However, very little is known for sure what causes corruption and why some countries are more corrupt than others. This study attracts attention to the causes of corruption and in particular the focus is on the influence of democracy on the level of corruption. The growing consensus reveals that there is an inverse correlation between democracy and corruption; the more democracy and the less corruption. This study argues that a simple ‘electoral democracy’¹ is not sufficient to reduce corruption. A simple ‘electoral democracy’ manifests multi-party system regularly competing for power through (relatively) free and fair elections but deficient in many important aspects that define a liberal democracy². Many electoral democracies, under the mask of political participation political elites continue to manipulate the electoral process to legitimize their retention of power and use of the state machinery in pursuit of their own interests (Doig, 2000). The role of sound democratic institutions, including an independent judiciary and an independent media along with political participation is crucial to combat corruption, because the sound democratic institutions and healthy political competition can significantly contribute to accelerating anti-corruption reform. The histories of countries where once-high levels of corruption have fallen support this view. To illustrate the ideas, this study develops a simple model that focuses on the role of democratic

¹ Tronquist, O., *Politics and Development* (London: Sage, 1999), 98.

² Liberal democracy secures the rule of law, a separation of powers and protection of liberties. See the link: <http://en.wikipedia.org/wiki/Democracy>.

institutions, where it assumes that the detection technology is a function of democracy. Under this assumption the active and effective institutions lead to careful monitoring of agents which increases the probability of detection and punishment of corrupt activities and reduces the level of corruption. In other words, well-functioning institutions where law and enforcement are a potential threat to corruption can restrain the level of corruption.

The idea that democracy has a negative impact on corruption is indisputable. However, the degree of influence of democratic reform on corruption levels is not straightforward and uniform. Early work on democracy and corruption shows the contradictory findings. The main reason for the disagreement among researchers resides in the multidimensionality characteristics of “democracy” or “democratization”. The empirical analyses mostly support the negative corruption-democracy association (Goldsmith, 1999; Sandholtz and Koetzle, 2000; Treisman, 2000; Montinola and Jackman, 2002; Sung, 2004; Bohara, Mitchell and Mittendorff, 2004). Yet, some of these studies differ in directions of the impact of democratic reforms on the level of corruption. Democracy viewed as freedom of speech nurtures an investigative journalism that exposes and deters corrupt public activities (Giglioli, 1996). Other studies find the non-linear relationship between corruption and democracy. Despite the eruptions of corruption among intermediate democracies, the consolidation of advanced democratic institutions eventually reduced corruption. Ultimately, the initial political conditions and the final democratic achievements determined the magnitude of political corruption (Montinola and Jackman, 2002; Sung, 2004). While the current degree of democracy was not significant, long exposure to democracy predicted lower corruption (Treisman, 2000). In contrast, Ades and Di Tella, (1999) find political rights had no significant impact on

corruption because countries like Hong Kong and Singapore experience very low corruption even though they have low political rights.

The transformation from authoritarian regime towards democracy is complicated. Autocratic countries can not become mature consolidated democracies overnight. Democratization is a slow process. Moreover, intermediate regimes are the most conflict-prone, which possess inherent contradictions as a result of being neither democratic nor autocratic (Herge, Ellingsen and Gates, 2001). Numerous observations of renewed corrupt practices induced by political liberalization in South East Asia and former Soviet Republic (Cohen, 1995; Harris-White and White, 1996) add disturbances in a linear and negative democracy-corruption association and provide evidences for high level of corruption during democratization.

Examples of a negative connection between democracy and corruption abound. However, there are numerous examples where this negative correlation between democracy and corruption does not exist. Consider, for example, the case of India. India, the largest liberal democratic nation as well as one of the most corrupt nation in the world. According to Transparency International's report for 2001, India is the 72nd most corrupt country in the world, out of 90 countries surveyed. Democracy simply viewed as political participation does not ensure protection of liberties and public interest. Existence of high level of corruption in India can be explained by Gunnar Myrdal's³ notion of India as a "Soft State" where, law is there but the enforcement is poor. In other words, lack of enforcement against corrupt activities flourishes corruption in India. On the other hand, country like Singapore, corruption was wide spread in the 1950s, but the situation is totally different today. Singapore is widely recognized as a squeaky clean government

³ Myrdal, G. (1968). *Asian Drama: An Inquiry into the Poverty of Nations*. New York: Pantheon, vol. I, pp.-66.

with very little corruption (Klitgaard, 1988). Singapore establishes representative democracy⁴, representatives retain the freedom to exercise their own judgment as how best to do so. However, the enforcement seems almost ludicrously strict, which accounts for Singapore's success in controlling corruption.

This study explores the hypothesis that a simple electoral democracy does not necessarily reduce a country's level of corruption. Only well-functioning democracy with sound institutional background can deter corruption, where the probability of being caught acting corruptly is high. A fully-formed democracy is, of course, more than a democratically elected government. It requires effectively operating institutions particularly, judiciary, police force and press and active political participation.

2. Theory behind the democracy-corruption association

Theoretically, autocratic systems are characterized by the monopolization of power in the hands of the small elite, with few or no constraints to prevent the small elite exercising their own interest and thus, the high level of corruption prevails in the autocratic regime. In contrast, democratic systems are characterized by diffuse authority, where the executive branches of government is balanced by an elected parliament and an independent judiciary, and where open elections allow actors alternate in power, which act as a threat to the corrupt political elites and has a lowering effect on the corruption level. The transformation from autocratic regime towards democracy through political liberalization is often presumed to reduce the level of corruption. However, the generally agreed increase in corruption levels in transition countries is not consistent with view that democracy has a negative impact on the level of corruption. The increased corruption

⁴ Representative democracy involves the selection of government officials by the people along with few binding restrictions. See the link: <http://en.wikipedia.org/wiki/Democracy>

level in transition countries can be best described as ‘decentralized corruption’ by Shleifer and Vishny, (1993), where transformation towards democracy represents a transformation from joint monopoly power to individual monopoly power of the political elites. The transformation towards individual monopoly power increases the amount of bribe charged by each government official. Accordingly, countries in East Asia, Latin America and Eastern Europe experience high level corruption during democratic transition the late 1980s and early 1990s.

The weak institutional framework in the newly democratized countries also increases the opportunities of high level of corruption. The newly democratized countries are mostly categorized as electoral democracies and they are more likely to score in the low-end of ‘free’ category of nations as tracked by the Freedom House⁵. Dahl, (1971), argues that democracy without participation is an absurdity but participation without an effective institutional framework would be futile and chaotic. Democracy represents institutional arrangements to secure rule of law, participation of the people in the activities of the state, and, the institutional embodiment of a concern with the identification and realization of public interest (Doig, 2000). In democracies, government officials derive their authority from and serve the interests of the public, at least in principle. Furthermore, the citizenry possesses more, and more effective, means of detecting and punishing corruption in a democracy than it does in more autocratic forms of government. Basic democratic freedoms, like those of assembly, speech, and press, allow people and groups to uncover information, demand inquiries, and publicize their discoveries. Corrupt acts are by their nature secret, and secrets are harder to keep in an open society. Once the public is aroused over a corruption scandal, the organs of

⁵ See Freedom House (2003).

government have powerful incentives to prosecute and punish miscreants or at least to be seen to do so.

A fully developed democracy is an ideal state with well-functioning and effective institutions along with active participation of the people. It describes a situation, where, combination of free media, an independent judiciary, an active and efficient police force, and people's participation portray a viable threat to the corrupt behaviour which has a negative effect on corruption. Thus, the more extensive democratic freedoms and the more effective democratic institutions are the less the level of corruption. Accordingly, in well-functioning and institutionally consistent democracies rule of law and enforcement of law work side by side and leading to the dampening effect on corruption. Despite of the increase in the level of corruption in the early stage of democratization, a consolidated well-functioning democracy is able to reduce corruption level of a country.

3. The model

To illustrate the ideas about the effect of the transformation from dictatorship towards a well advanced democracy has on the extent of corruption, the study considers the simple model of a bureaucracy regulating the private agents in the economy. The bureaucrat has the power either to issue new permits or licenses to operate private economic activities, or, regulating the conduct of private firms in the economy. The bureaucrat has the opportunity to restrict the quantity. If the bureaucrat is corrupt, then he collects bribes⁶ in return for providing the permits. Corruption, as defined here, is the amount of bribe

⁶ Any extra payment on top of the actual price made to the bureaucrat by a private agent for getting permits or licenses will be termed a "bribe."

payment demanded from the private agents for providing permits or licenses by the bureaucrats. We assume that the money associated with bribe b is defined as:

$$b = k_1 + k_2 e^l \tag{1}$$

where $k_1, k_2 \geq 0$. The bribe b is a function of level of corruption l and $db/dl > 0$. The level of corruption in a country reflects the corrupt behaviour (i.e., bribes demanded by government officials and, or, bribes offered to government officials by the private agents) of that country. High levels of corruption mean greater overall rents extracted by the state. The level of corruption also varies with the bureaucratic hierarchy (Rose-Ackerman, 1978). At the low-level, because of more competition among bureaucrats the magnitude of bribes per decision or quantity is far less. In contrast, high-level bureaucrat faces less competition, which raises the magnitude of bribes per decision. The bribe function is structured to capture the existence of corruption even if the countries are declared as corruption free according to corruption perception index. Even though k_1 is very small but still it is positive. Think of a country like New Zealand. Transparency International's 2005 corruption index confirms the squeaky clean image of New Zealand as it scores 9.6 and tied for the second place with Finland. The Corruption Index⁷ is constructed on a perceptions scale of zero to 10 -- with zero indicating the most corrupt and 10 indicating the most honest. However, despite the country's reputation, cases involving bribery and corruption of officials continue to come before the courts⁸.

The total volume of bribe m collected by the corrupt bureaucrat is the number of permits or licenses issued by the bureaucrat, n , times the amount of bribes collected per permit or license b , i.e.,

$$m = n * b = n (k_1 + k_2 e^l) \tag{2}$$

⁷ http://www.transparency.org/policy_research/surveys_indices/cpi/2005.

⁸ New Zealand Herald Story, 16 September 2000.

Now, consider the key assumption of this analysis, that being the probability of detection θ increases with the advancement of democracy and once the corrupt bureaucrat is detected he gets punished immediately. For the purpose of this study, we think of a democracy index, d , that runs from 10 to 0, where 10 is full dictatorship and 0 is full democracy. In a situation of full dictatorship, there are no legal, or, other, constraints to prevent the dictator exercising his will. Thus, the probability that the dictator will be caught acting corruptly is negligible, even zero. In contrast, with full democracy, all institutions, associated with the modern democratic state, operate effectively. Thus there is a high probability even one, that a corrupt act will be detected and punished. Therefore, the probability of detection will be formalized by a function represented as:

$$\theta = c_1 + c_2 e^{-d} \quad (3)$$

where, $0 \leq d \leq 10$, and, $0 \leq c_1, c_2 \leq 1$. The detection function is formulated based on the idea that the democracy index d mostly depends on independent judiciary (j), police (p), free and active media (m). The democracy index d can be expressed as:

$$d = e_1 j + e_2 p + e_3 m \quad (4)$$

where, $0 \leq e_1, e_2, e_3 \leq 1$, and, $0 \leq j, p, m \leq 1$. The detection function θ also depends on an informed and educated population and the degree of political participation in the country. In other words, the detection of corrupt activities is determined by how likely that the population knows that corruption is occurring and how able they are to do something about it, which is captured in the detection function as c_1 .

Now, we assume that the bureaucrat is paid the ongoing wage w . If corrupt, he receives his wage w plus the total volume of bribes income m with probability $(1 - \theta)$, and with

probability θ , he loses everything subject to the limited liability⁹. Hence, the utility of the corrupt bureaucrat is given by

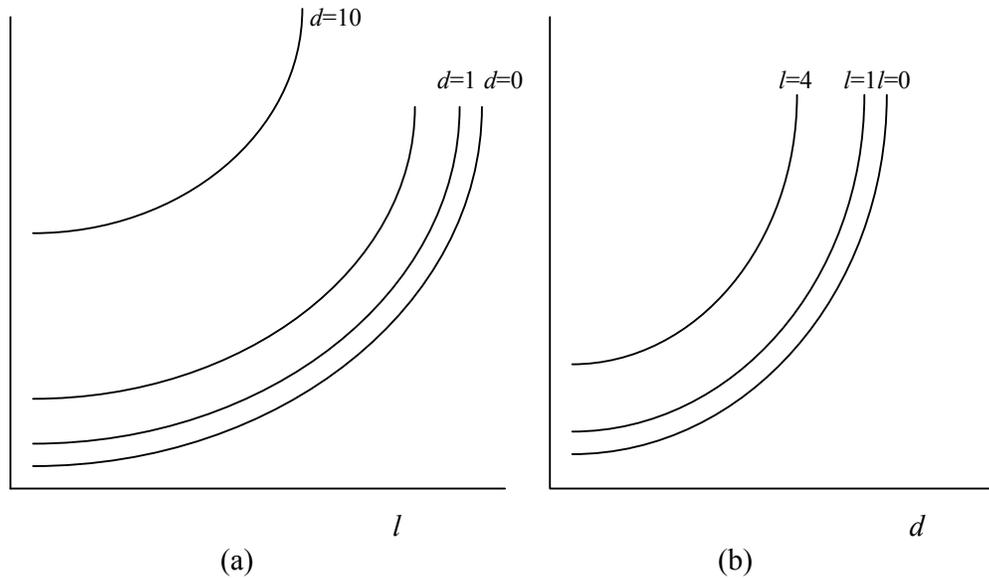
$$U_b = (w + m) (1 - \theta) \quad (5)$$

Substituting the value of m and θ , the utility function can be rewritten as:

$$U_b = [w + n (k_1 + k_2 e^l)] (1 - c_1 - c_2 e^{-d}) \quad (6)$$

The utility of the corrupt bureaucrat depends on the level of corruption, as well as the level of democracy. For a given level of democracy, the utility increases with the level of corruption. Likewise, for a given level of corruption, the utility increases with less democracy. The relationships between utility and level of corruption and democracy are shown in figure 1:

Figure 1: (a) Relationship between utility and level of corruption
(b) Relationship between utility and democracy



The figure 1(a), shows the direct relationship between utility and level of corruption. For a given level of democracy utility level increases with level of corruption and as the

⁹ See Acemoglu and Verdier (2000).

values of d increases the curve shifts upward which indicates that for a given level of corruption utility level increases as democracy level decreases and the probability of detection decreases. Similarly, as democracy level decreases or d increases, the utility level increases in figure 1(b) and for higher levels of corruption the curve shifts upward to the left indicating that the higher the level of corruption the higher is the level of utility.

The corrupt bureaucrat maximizes this expected utility function by choosing l with a given level of d . Thus, the bureaucrat's expected utility maximization problem can be expressed as:

$$\text{Max}_{l,d} [w + n (k_1 + k_2 e^l)] (1 - c_1 - c_2 e^{-d}) \quad (7)$$

Now, one unit increase in the level of corruption and the democracy level changes the utility level of the bureaucrat which can be determined by the total differentiation of the utility function as follows:

$$dU_b = dU_b / dd * (-\Delta d) + dU_b / dl * \Delta l \quad (8)$$

The negative sign of Δd indicates a one unit increase in the democracy level, because the higher value of d represents the lower level of democracy.

$$dU_b = (w + n (k_1 + k_2 e^l))(c_2 e^{-d}) * (-\Delta d) + (1 - c_1 - c_2 e^{-d}) n k_2 e^l * \Delta l \quad (9)$$

The first order condition for maximization requires $dU_b = 0$, which gives:

$$\frac{\Delta l}{\Delta d} = \frac{[w + n (k_1 + k_2 e^l)](c_2 e^{-d})}{(1 - c_1 - c_2 e^{-d}) n k_2 e^l} \quad (10)$$

The sign of the numerator and the denominator is positive from the fact that the wage rate w and the number of corrupt deals n cannot be negative. Therefore, the sign of $(\Delta l / \Delta d)$ is positive. The positive relationship between d and l follows from the fact that the less

democracy in a country, the more the corruption is. In other words, there is an inverse relationship between the democracy level and the level of corruption. The higher the democracy level, the lower the level of corruption, because the high level of democracy in a country provides less opportunity for the government officials to extract more bribes. However, the rate of change of level of corruption and democracy is not uniform. The slope of $(\Delta l / \Delta d)$ is given by the equation:

$$\frac{\Delta^2 l}{\Delta d^2} = \frac{[(1 - c_1 - c_2 e^{-d}) n k_2 e^d] * [-d\{w + n(k_1 + k_2 e^d)\} (c_2 e^{-d})] - [w + n(k_1 + k_2 e^d)] (c_2 e^{-d}) * (dc_2 e^{-d} n)}{[(1 - c_1 - c_2 e^{-d}) n k_2 e^d]^2} - \frac{(dc_2 e^{-d} n)}{k_2 e^d} \quad (11)$$

The sign of $(\Delta^2 l / \Delta d^2)$ is negative. The negative slope of $(\Delta l / \Delta d)$ indicates that the rate of change of corruption level decreases as d increases. For example, the change of corruption level at the high value of d , say, from $d = 10$ to $d = 9$ is negligible. In contrast, with a lower value of d , say, from $d = 2$ to $d = 1$, i.e., at the high level of democracy the change of the level of corruption is big enough to reduce corruption of a country. Thus the situation expresses the view that when a country moves towards democracy from autocracy, the corruption level remains almost at the high level and democratization at the stage of bud does not help to reduce corruption at all, even the chaotic situation provides more favourable conditions to flourish corruption. However, with the continuous process of democratization a country can reach in a level of democracy, where all the institutions like judiciary, police force and press operate effectively and efficiently. Democratisation is thus not simply ‘electoral democracy’ where the visible and formal trappings of political participation mask the continuing control of the state by rulers and ruling elites who manipulate the electoral process to legitimize their retention of power and their continuing use of the state machinery in pursuit of their own interests. The purpose of democratization is to engage the participation of the public in the activities of the state, and ‘the state is seen as the institutional embodiment of a concern

with the identification and realisation of public interest, with a rational analysis of norms in a disinterested and benevolent manner'¹⁰. There may be no single checklist of a democracy, however, the common lists involve political legitimacy for the state through universal suffrage and regular elections, the peaceful transfer of power, an effective political opposition and representative government, accountability through transparency of decision making and the provision of information, separation of powers, human and civil rights, association, expression and movement, impartial and accessible criminal justice systems and the absence of arbitrary government power¹¹. A fully-formed democracy with the above characteristics, where the value of d closes to zero, increases the probability of detection to almost one and only that state is capable of deterring corruption.

3. Democracy, Corruption and Income

In examining the hypothesis on democracy-corruption association, it is important to focus on the average income of a country. In countries where incomes are relatively low, the economy generates minimal wealth for the vast majority of citizens. Low average incomes create certain structural incentives for corrupt behaviours. Countries where incomes are low, the marginal value of money is higher than it is in wealthy countries¹². The high utility attached even to small income supplements affects both givers and takers of bribes: paying a bribe can be worth the expense and risk if it is likely to result in greater gains in income; receiving a bribe produces a direct boost in income. Indeed, a government job that offers the possibility of extra legal income supplements would be especially attractive. Thus government positions themselves can become the objects of

¹⁰ Dyson, K. F., *The State Tradition in Western Europe* (Oxford: Martin Robertson, 1980) 208, 275.

¹¹ Doig, A., 'In the State We Trust? Democratisation, Corruption and Development', in A. Doig and r. Theobald, *Corruption and Democratisation* (London: Frank Cass, 2000).

¹² See Sandholtz, W. and Koetzle, W., (2000).

corrupt activities and the underpaid bureaucrats are more likely than well-paid ones to enrich themselves via corrupt transactions. Accordingly, it is expected that relatively low average incomes increase the propensity both to offer and to accept corrupt payments and thus average income will correlate inversely with the level of corruption.

The equation (11) shows that a well-functioning democracy ie, when d moves towards zero, a country is able to deter corruption at the highest level. However, it also confirms that relatively higher value of w accelerates the rate of decrease of the level of corruption when a country moves towards well-functioning democracy. This typically implies that very high wages of the bureaucrats can be used as an incentive for deterring corruption. The Transparency International Perceived Corruption Index 2005¹³, generally supports the theoretical expectations about the correlations among corruption, democracy and income. Almost without exceptions, the countries seen as least corrupt are those nations that are known to be well developed democracies with full functioning institutions, and are highly integrated economy. Nations that fall on this end of the corruption spectrum include Denmark, Finland, Iceland, Canada, New Zealand, and Sweden. In contrast, the countries that are viewed as most corrupt are those traditionally seen as authoritarian and are less integrated economy. Examples of most corrupt nations include Bangladesh, Indonesia, Kenya, and Nigeria.

The country like Singapore is viewed as most developed and very low levels of corruption, in spite of the fact that Singapore does not have the same level of political freedoms found in many countries perceived as more corrupt. However, the well functioning institution and enforcement of laws made it achievable¹⁴. Unlike Singapore,

¹³ See Table 1 in the Appendix.

¹⁴ See Klitgaard, R. (1988).

India, which has been a democracy for more than fifty years, is seen as quite corrupt due to low economic development and lack of enforcement of laws. It is quite evident from the Table 1 that countries that are known to be well developed democracies are also economically highly developed. The direct relationship between well developed democracies and economic development is straightforward. Low income countries do not have enough resources, which constrain the government's ability to commit resources for the development and functioning of democratic institutions. Resource constraints restrain monitoring and detection activities in poor countries. In addition, high levels of corruption mean greater overall resources extracted by the state aggravate the economic situation of poor countries severely.

4. Conclusion

This study examines the importance of well functioning institutions of democracy to deter corruption. It is hypothesized that a well-functioning democracy can deter corruption, where the probability of being caught acting corruptly is high. A fully-formed democracy is, of course, more than a democratically elected government. It requires effectively operating institutions particularly, judiciary, police force and press. Under the assumption that detection technology is an increasing function of democracy, the active and effective institutions lead to careful monitoring of agents which increases the probability of detection and punishment of corrupt activities and reduces corruption. The widely accepted axiom in Western Europe and the democratic world is: "Eternal Vigilance is the Price of Democracy", may lead to lower levels of corruption.

References:

- Acemoglu, D., & Verdier, T. (2000). The Choice between Market Failures and Corruption. *American Economic Review*, 90(1), 194-211.
- Ades, A., & Tella, R. D. (1999). Rents, Competition, and Corruption. *The American Economic Review*, 89(4), 982-993.
- Bohara, A. K., Mitchell, N. J., & Mittendorff, C. F. (2004). Compound Democracy and the Control of Corruption: A Cross-Country Investigation. *The Policy Studies Journal*, 32(4), 481-499.
- Cohen, A. (1995). *Crime and Corruption in Eurasia: A Threat to Democracy and International Security*. Washington, DC: The Heritage Foundation.
- Dahl, R. A. (1971). *Polyarchy: Participation and Opposition*. New Haven: Yale University Press.
- Doig, A. (2000). In the State We Trust? Democratisation, Corruption and Development. In A. Doig & R. Theobald (Eds.), *Corruption and Democratisation*. London: Frank Cass.
- Dyson, K. F. (1980). *The State Tradition in Western Europe*. Oxford: Martin Robertson.
- Freedom House. (2003). *Freedom in the World 2003: The Annual Survey of Political Rights and Civil Liberties*. New York: Freedom House.
- Giglioli, P. P. (1996). Political Corruption and the Media: The Tangentopoli Affair. *International Social Science Journal*, 48, 381-394.
- Goldsmith, A. A. (1999). Slapping the Grasping Hand: Correlates of Political Corruption in Emerging Markets. *American Journal of Economics and Sociology*, 58, 865-883
- Harris-White, B., & White, G. (1996). *Liberalization and New Forms of Corruption*. Brighton: Institute of Development Studies.
- Herge, H., Ellingsen, T., Gates, S., & Gleditsch, N. P. (2001). Toward a Democratic Civil Peace? Democracy, Political Change and Civil War, 1816-1992. *The American Political Science Review*, 95(1), 33-48.
- Klitgaard, R. (1988). *Controlling Corruption*. Berkeley, CA: University of California Press.
- Mauro, P. (1995). Corruption and Growth. *Quarterly Journal of Economics*, 110(3), 681-712.
- Montinola, G. R., & Jackman, R. W. (2002). Sources of Corruption: A Cross-Country Study. *British Journal of Political Science*, 32(1), 147-170.

- Myrdal, G. (1968). *Asian Drama: An Inquiry into the Poverty of Nations* (Vol. I). New York: Pantheon.
- Rose-Ackerman, S. (1978). *Corruption: A Study in Political Economy*. New York: Academic Press.
- Tronquist, O. (1999). *Politics and Development*. London: Sage.
- Sandholtz, W., & Koetzle, W. (2000). Accounting for Corruption: Economic Structure, Democracy, and Trade. *International Studies Quarterly*, 44(1), 31-50.
- Shleifer, A., & Vishny, R. W. (1993). Corruption. *Quarterly Journal of Economics*, 108(3), 599-617.
- Sung, H.-E. (2004). Democracy and Political Corruption: A cross-national comparison. *Crime, Law and Social Change*, 41, 179-194.
- Transparency International, (2005). Available online at:
http://ww1.transparency.org/cpi/2005/cpi2005_infocus.html
- Treisman, D. (2000). The Causes of Corruption: A Cross-National Study. *Journal of Public Economics*, 76(3), 399-457.

Appendix

Table 1: Transparency International 2005 Corruption Perceptions Index

Rank	Country	2005 CPI score ¹⁵	Rank	Country	2005 CPI score ¹⁴
1	Iceland	9.7	80	Senegal	3.2
2	Finland	9.6	81	Sri Lanka	3.2
3	New Zealand	9.6	82	Suriname	3.2
4	Denmark	9.5	83	Lebanon	3.1
5	Singapore	9.4	84	Rwanda	3.1
6	Sweden	9.2	85	Dominican Republic	3
7	Switzerland	9.1	86	Mongolia	3
8	Norway	8.9	87	Romania	3
9	Australia	8.8	88	Armenia	2.9
10	Austria	8.7	89	Benin	2.9
11	Netherlands	8.6	90	Bosnia and Herzegovina	2.9
12	UK	8.6	91	Gabon	2.9
13	Luxembourg	8.5	92	India	2.9
14	Canada	8.4	93	Iran	2.9
15	Hong Kong	8.3	94	Mali	2.9
16	Germany	8.2	95	Moldova	2.9
17	USA	7.6	96	Tanzania	2.9
18	France	7.5	97	Algeria	2.8
19	Belgium	7.4	98	Argentina	2.8
20	Ireland	7.4	99	Madagascar	2.8
21	Chile	7.3	100	Malawi	2.8
22	Japan	7.3	101	Mozambique	2.8
23	Spain	7	102	Serbia and Montenegro	2.8
24	Barbados	6.9	103	Gambia	2.7
25	Malta	6.6	104	Macedonia	2.7
26	Portugal	6.5	105	Swaziland	2.7
27	Estonia	6.4	106	Yemen	2.7
28	Israel	6.3	107	Belarus	2.6
29	Oman	6.3	108	Eritrea	2.6
30	UAE	6.2	109	Honduras	2.6
31	Slovenia	6.1	110	Kazakhstan	2.6
32	Botswana	5.9	111	Nicaragua	2.6
33	Qatar	5.9	112	Palestine	2.6
34	Taiwan	5.9	113	Ukraine	2.6
35	Uruguay	5.9	114	Vietnam	2.6
36	Bahrain	5.8	115	Zambia	2.6
37	Cyprus	5.7	116	Zimbabwe	2.6
38	Jordan	5.7	117	Afghanistan	2.5
39	Malaysia	5.1	118	Bolivia	2.5
40	Hungary	5	119	Ecuador	2.5
41	Italy	5	120	Guatemala	2.5
42	South Korea	5	121	Guyana	2.5

¹⁵ CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

Continued

43	Tunisia	4.9		122	Libya	2.5
44	Lithuania	4.8		123	Nepal	2.5
45	Kuwait	4.7		124	Philippines	2.5
46	South Africa	4.5		125	Uganda	2.5
47	Czech Republic	4.3		126	Albania	2.4
48	Greece	4.3		127	Niger	2.4
49	Namibia	4.3		128	Russia	2.4
50	Slovakia	4.3		129	Sierra Leone	2.4
51	Costa Rica	4.2		130	Burundi	2.3
52	El Salvador	4.2		131	Cambodia	2.3
53	Latvia	4.2		132	Congo, Republic of	2.3
54	Mauritius	4.2		133	Georgia	2.3
55	Bulgaria	4		134	Kyrgyzstan	2.3
56	Colombia	4		135	Papua New Guinea	2.3
57	Fiji	4		136	Venezuela	2.3
58	Seychelles	4		137	Azerbaijan	2.2
59	Cuba	3.8		138	Cameroon	2.2
60	Thailand	3,8		139	Ethiopia	2.2
61	Trinidad and Tobago	3,8		140	Indonesia	2.2
62	Belize	3.7		141	Iraq	2.2
63	Brazil	3,7		142	Liberia	2.2
64	Jamaica	3.6		143	Uzbekistan	2.2
65	Ghana	3.5		144	Congo, D. R.	2.1
66	Mexico	3.5		145	Kenya	2.1
67	Panama	3.5		146	Pakistan	2.1
68	Peru	3.5		147	Paraguay	2.1
69	Turkey	3.5		148	Somalia	2.1
70	Burkina Faso	3.4		149	Sudan	2.1
71	Croatia	3.4		150	Tajikistan	2.1
72	Egypt	3.4		151	Angola	2
73	Lesotho	3.4		152	Cote d'Ivoire	1.9
74	Poland	3.4		153	Equatorial Guinea	1.9
75	Saudi Arabia	3.4		154	Nigeria	1.9
76	Syria	3.4		155	Haiti	1.8
77	Laos	3.3		156	Myanmar	1.8
78	China	3.2		157	Turkmenistan	1.8
79	Morocco	3.2		158	Bangladesh	1.7
				159	Chad	1.7