Why Anti-Corruption Policies Fail: Systemic Corruption as a Collective Action Problem

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The Quality of Government (QoG) Institute at University of Gothenburg

- Started in 2004 (minor grant to build database)
- Independent academic research institute
- Mainly political scientists (but lots of interdisciplinary interaction)
- Major funding for research from 2007 and 2009 (about 8 mil. Euro). About 30 researchers and assistants
- European Research Council - Advanced Research Grant, 2.5 mil. Euro 2013-2018
QoG: Aim and Purpose

- To carry out and promote research about the importance of trustworthy, reliable, competent, non-corrupt, non-discriminatory, and government institutions = QoG

- Central focus is not to explain politics or public policy, but what politics and public policy imply for human well-being
ANTICORRP

- Anticorruption policies revisited: Global trends and European Responses to the Challenges of Corruption
- Large-scale integrative project funded by the European Union Seventh Framework program
- Started in 2012 and will last for 60 months
- Involves 21 research groups in 16 EU countries
- In all about 70 researchers
- Total budget about 10 mil. Euro
- Largest EU-funded research project in the social sciences
- www.anticorrp.eu
Why are effective anti-corruption policies important?

- The huge and impressive success of democracy and democratization since the 1970s
- More countries than ever are now considered to be democratic
- More people than ever now lives in democracies
- But .... the effect of democracy on human well-being is so far not impressive
Healthy Life Years vs. Level of Democracy

$R^2 = 0.21$

Sources: WHO, Freedom House/Polity (2002-2006)

Data runs by: Richard Svensson
Healthy Life Years vs. Control of Corruption

R²=0.44
Sources: WHO (-), World Bank (2002-2008)

Data runs by: Richard Svensson
Human Development Index vs. Level of Democracy

R²=0.22

Data runs by: Richard Svensson
Human Development Index vs. Control of Corruption

R²=0.47
Data runs by: Richard Svensson
Life Satisfaction vs. Level of Democracy

R²=0.28
Data runs by: Richard Svensson
Life Satisfaction vs. Control of Corruption

R²=0.46

Data runs by: Richard Svensson
Foreign Credit Rating vs. Level of Democracy

R²=0.13
Sources: Standard & Poor's (2011), Freedom House/Polity (2009)

Data runs by: Richard Svensson
Foreign Credit Rating vs. Control of Corruption

R²=0.62


Data runs by: Richard Svensson
GDP / Capita vs. Level of Democracy

R² = 0.16
Sources: Gleditsch (2002), Freedom House/Polity (2002-2006)

Data runs by: Richard Svensson
GDP / Capita vs. Control of Corruption

R²=0.71
What about political legitimacy?

- It has for long been taken for granted that it is democratic rights that is the main source of political legitimacy.
- Is this correct? The answer is a resounding no.
- "General governance (a composite of the rule of law, control of corruption and government effectiveness) clearly has a large, even overarching, importance in global citizen evaluation of the legitimacy of states" .... “it is notable that democratic rights, while certainly qualifying as one of the most important causes of legitimacy, turn out to be roughly on par with welfare gains, and both of these are far less important than good governance”.
- “This clashes with standard liberal treatments of legitimacy that give overall priority to democratic rights”
- (Bruce Gilley 2006)
Political legitimacy, cont.

- Quality of Government “has a very strong and independent effect on all levels of regime support”
- “It is Quality of Government and the impartial treatment on the output side of the political system, and not electoral democracy, that creates regime legitimacy”

(Torbjörn Gjefsen 2012)
And the final verdict......

“Overall, the results indicate that factors such as government effectiveness are of greater importance for citizens´ satisfaction with the way democracy functions, compared to factors like ideological congruence on the input side. Impartial and effective bureaucracies matter more than representational devices”

Democracy and Bureaucracy: How their Quality Matters for Popular Satisfaction, STEFAN DAHLBERG and SÖREN HOLMBERG, West European Politics 2013
What is corruption?

- Abuse of public power for private gain
- Does not define which norms that are transgressed when corruption occurs
- Does not separate corruption from ordinary theft
- Invites relativism and makes it impossible to compare corruption in different societies
What about Cultural Relativism?

- Normative arguments for a universal definition of QoG
- Should we accept a relativistic understanding of democracy, human rights and gender equality?
- The liberal political philosophy approach says no
- If we accept a relativistic definition, we can forget the ambitions to measure to compare
- And we will not be able explain variation in QoG by any general theory
- How good are the empirical arguments for a relativistic definition of QoG
The Simply Wrong Definitions

- Gary Becker: “To Root out Corruption, Boot Out Big Government”
- “the source of official corruption is the same everywhere: large governments with the power to dispense many goodies to different groups
- Alberto Alesina: “a large government increases corruption and rent-seeking”
The facts. Larger governments are less corrupt and have better QoG

- We are not the first ones that have pointed this out
- But the results have largely gone unnoticed or been ignored
- The ideological/theoretical conviction that “big government is bad” has been very strong
- We are facing a “Kuhnian” paradigm implying that contradictory and also easily accessible data are systematically disregarded
We need to know what is the opposite of corruption
Quality of Government = Impartiality

- When implementing laws and policies, government officials shall not take anything about the citizen/case into consideration that is not \textit{beforehand} stipulated in the policy or the law
- QoG is about the \textit{exercise} of power, not the \textit{access} to power
- Rules out corruption, but also other forms of favoritism such as clientelism, nepotism, patronage and various types of discrimination
The two theoretical misspecifications of the problem

- **The principal-agent theory**
  - Agents as rational utility maximizers
  - Problem can be fixed by incremental change of incentive structure by principals

- **The public ethics theory**
  - Agents are motivated by social norms
  - Problem can be fixed by “enlightened education”
Low QoG/Corruption as a social trap

- QoG as a “problem of collective action”
- Actors strategies based on reciprocity
- “What agents do, depends on what they think most other agents will do”
- Corruption as a self-reinforcing equilibrium
- Equilibria about expectations must change
- Requires as “big bang” change”
Corruption as a “Social Trap”

- Everyone knows that if all respect the impartiality of institutions, all will win.
- But – if people cannot trust that “almost everyone else” will respect the impartial institutions, they will be destroyed because the end is contingent on honest cooperation by almost everyone.
- Thus, dishonest behavior may be rational when people do not trust that others will also be honest.
- Conclusion: Efficient cooperation for establishing impartial institutions will only come about if people trust that most other people will respect them.
- Lacking this trust, the social trap is for real. That is, we end up in a state of affairs that is worse for everyone, even though everyone realizes that they would profit from impartial institutions.
The two not very useful approaches to anti-corruption policies

- **Structuralism**: Small, ethnically homogeneous, lutheran and island states with a specific type of colonial history are less corrupt.

- **Trivialism**: Honest civil service, strong leaders that fight corruption, public administration with integrity, effective ethical codes, independent courts....
The Collective Action Approach to Anti-Corruption

- Signals must be so strong that most agents will believe that most other agents facing the same situation will change
- The “Big-Bang” approach
- Sweden 1850-1875
- An “explosion of reforms all pointing to a change of what the state “is”
- From elite particularism to citizens’ public goods
The Impartiality - Public Goods Approach to Anti-Corruption

- Change of institutions between structuralism and trivialism
- A fair and broad based taxation system
- Universal broad based education
- Merit based recruitment to the civil service
- Gender equality
- These institutional reforms all aarebout signals of .... impartiality
Corrupt legislation:
Elihu Vedder 1896, mural painting at the Library of Congress, Washington DC
Good Administration
Elihu Vedder 1896,
Library of Congress, Washington DC