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CONSEQUENCES OF CORRUPTION

One of the reason why corruption is so much studied in many field is that it is considered that it has a series of tremendous consequences affecting life of dem, economic development, behaviour of citizens and so on. This day lecture focus on economic consequences of corruption, on economic system of political regime. Two readings. Different. Méon, P.-G., and K. Sekkat (2005) "Does corruption grease or sand the wheels of growth?" *Public Choice* 122(1-2): 69-97 • Bahur, M. and N. Charron (2018) "Why support International redistribution? Corruption and public support for aid in the eurozone" *European Union Politics* 19(2) 233–254.

First one is one of the traditional studies analysing consequences, the second one is a different kind of study, it has no macroeconomic data but looks at individual level data, reliability to support international redistribution, ...

Important to study economic consequences because economic development is an important **explanatory factor** of corruption. We face big problem of **reverse causality**, is economic development affected by corruption or it affect corruption? Direction can be reversed btwn these two variables. It depends on the scholar the direction of the study. Does corr undermine ecomic growth and development? Does corruption undermine citizens' availability to support international financial help?

Second article not macroeconomic data but individual attitude in supporting or not policy of financial redistribution.

First article.

The research question: **Is correlation deprimental or beneficial to economic activity?** Common idea is that basically corruption is an impediment to development and growth, has negative consequences on economic development and growth of a country. **International organization** such as world bank, international monetary fund fight corruption, by the mid 90s focus more, a lot of country were in transition from soviet style to modern democracies. Aim is to study economic effects, going **beyond moral aspect**, issue is controversial. Two contrasting hypothesis: **sand the wheels vs grease the wheels**. **Sand** is bad, diverse resources from citizen to small private groups. this opinion is contrasted, general opinion of 60s 70s, **grease the wheels** proposed by scholars such as Huntington and leff, when economics are underdeveloped and there's not strong autocratic system it can be useful for some private investors to be corrupted to obtain things done, allow to invest and economic growth. No studies test before first article test if the association between corruption and development depends n the quality of governance.

Grease the wheels hp, good vision of corr:

Debate combines **corruption and quality of governance**. Corruption can have **positive effects** on investments and growth where the quality of **governance is low** by reducing this inconvenience. Two aspect of inefficient bureaucracy that should be analysed to capture the net effect of corruption on growth. Ill functioning and policy option by public authority. This two problem can be affected by some amount of corruption to obtain positive results.

- **Ill functioning bureaucracy:** corruption may **speed up regulation** and lessen the time spent in queues. **Improve the quality of unwilling and poor paid officials**, public sector non remunerative = bad governane performance. Attract clever people into public administration to obtain extra rent from corruption in public administration. Corruption allows officials to **overcome information asymmetries** by assuming that the more generous bribers are also the most talented, more incentives and possibilities to invest in corr relationship in order to start activities. Shortcut in order to evaluate different project and give possibility to work.
- **Policy option by public officials:** corruption may constitute a hedge **against ideological biased institutions**, against **inefficient institutions** and against **expropriation and violence**

Sand the wheels hp, negative view of corruption:

Although corr can have benefits in weak institutional environment it may impose **additional costs** as well, according to this hp also in pol regime with weak govern it has additional costs that should be added to inefficiencies to governance **instead of compensating** them. Same two aspects:

- **The ill functioning of bureaucracy;** Slowness of administration is not exogenous: public officials are interested in delays to obtain extra-rents from corruption • Public officials have incentives to limit to include new servants because to preserve their extra-rents • **More generous bribers are not the most efficient,** but simply the most optimistic and/or made a compromise on the quality of the good provided
- **Policy options by public authority** • Corruption rises public spending but in unproductive sectors • Corruption implies additional risk-taking: no legal way to enforce contracts

According to these two hp corr is more costly and rise public spending in unproductive sectors. Corrupting public sector induce not to spend more money but empirical results show that where government is more associated to corruption it spend more in unproductive sectors. Furthermore implies additional risk taking for private because since corr relationship engaged is illegal there is no legal way to enforce that contracts.

The model

Cross-sectional research design

$$\begin{aligned} \log(\text{inv}_T) - \log(\text{inv}_0) &= \alpha_0 + \alpha_1 * \log(y_0) + \alpha_2 * \log(\text{Sc}_0) + \alpha_3 * [\log(\text{pop}_T) \\ &- \log(\text{pop}_0)] + \alpha_4 * \log(\text{inv}) + \alpha_5 * \log(\text{open}) \\ &+ [\alpha_6 + \alpha_7 * \log(\text{gov})] * \log(\text{cor}) + \mu \end{aligned} \quad (1)$$

where

- $\log(y_T) - \log(y_0)$ is the average growth rate of per capita income over the sample period
- $\log(y_0)$ is the initial per capita income
- $\log(\text{Sc}_0)$ is the initial level of schooling
- $\log(\text{pop}_T) - \log(\text{pop}_0)$ is the average growth rate of population over the sample period
- $\log(\text{inv})$ is the average ratio of investment to GDP over the period
- $\log(\text{open})$ is the degree of openness of the economy
- $\log(\text{cor})$ is the corruption index
- $\log(\text{gov})$ is the governance indicator
- μ is the error term

Excluded in the second model specification

“grease the wheels”

- $\alpha_6 > 0$
- $\alpha_7 < 0$

“sand the wheels”

- $\alpha_6 < 0$
- $\alpha_7 > 0$

Econometric model employed in order to test these two contrasting hp. Explanation of different variables included. Two different dependent variable, first one is average growth rate compared for the year of study, the second is average investment ration btwn ... vedi registrazione. Relation important btw level of corruption and quality of institutions present in political regimes. Authors said that vedi slide a <>0

Vedi data and variables

- Dependent variable from the Growth Development Network (World Bank) • (log) GDP per capita growth • (log) investments ratio over GDP

Main independent variable: CPI and CC • Reversed scale: low score = less corruption and high score = more corruption

Moderating factor: Worldwide Governance Indicators data (WB) • 5 indicators excluding corruption

GLS regression models • N = 63 to 71 • All variables are taken in log • Economic variables are averaged over the same period

GDP per capita growth rate

Specification	Basic specification		Basic specification with interaction: Rule of law		Basic specification with interaction: Government effectiveness		Basic specification with interaction: Lack of violence	
	Corruption index CPI	WB	Corruption index CPI	WB	Corruption index CPI	WB	Corruption index CPI	WB
Constant	-7.78 (1.82)*	-3.54 (0.99)	-4.48 (1.30)	-3.25 (1.20)	-2.81 (0.87)	-2.81 (1.10)	-6.85 (1.41)	-2.51 (0.71)
GDP per capita (1970)	-0.64 (1.54)	-0.95 (2.85)***	-0.81 (2.38)**	-0.93 (3.03)***	-0.94 (3.54)***	-1.07 (4.24)***	-0.68 (1.63)	-0.99 (2.98)***
Primary schooling (1970)	0.07 (0.08)	0.37 (0.78)	0.25 (0.26)	0.48 (1.05)	-2.39 (0.29)	0.40 (0.74)	0.08 (0.09)	0.45 (0.94)
Growth rate of population	-0.45 (1.68)*	-0.30 (1.12)	-0.23 (1.02)	-0.16 (0.66)	-0.28 (1.39)	-0.18 (0.91)	-0.40 (1.36)	-0.21 (0.75)
Investment to GDP ratio	4.42 (5.71)***	4.37 (6.00)***	3.66 (5.27)***	3.70 (6.37)***	4.10 (6.57)***	3.84 (6.77)***	4.23 (4.71)***	3.89 (5.09)***
Openness	0.48 (1.54)	0.07 (0.21)	0.39 (1.44)	0.11 (0.38)	0.37 (1.43)	0.20 (0.75)	0.46 (1.51)	0.11 (0.34)
CPI	-0.63 (1.47)		-2.46 (3.14)***		-3.29 (4.07)***		-1.07 (1.03)	
WB		-2.33 (2.89)***		-4.25 (3.71)***		-5.40 (4.48)***		-3.61 (2.30)**
CPIx rule of law			1.52 (2.75)***					
WBx rule of law				2.24 (2.48)***				
CPIx government effectiveness					2.17 (3.65)***			
WBx government effectiveness						3.32 (3.35)***		
CPIx lack of violence							0.34 (0.49)	
WBx lack of violence								1.24 (1.02)
N	63	67	63	67	63	67	63	67
R ² adj	0.49	0.51	0.57	0.57	0.60	0.61	0.49	0.52

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Positive sign, so according to what authors expected sand the wheels is confirmed, corr has negative effects in both low and high quality institutional settings. Second table look at investment ratio, according to stw hp both negative sign, sand the wheel confirmed.

Investment ratio over GDP

Specification	Basic specification		Basic specification with interaction: Rule of law		Basic specification with interaction: Government effectiveness		Basic specification with interaction: Lack of violence	
	Corruption index CPI	WB	Corruption index CPI	WB	Corruption index CPI	WB	Corruption index CPI	WB
Constant	1.84 (3.12)***	2.80 (4.37)***	2.10 (3.09)***	2.58 (3.98)***	2.05 (2.73)***	2.75 (4.21)***	2.31 (4.1)***	2.74 (4.53)***
GDP per capita (1970)	-0.14 (2.51)**	-0.16 (2.24)**	-0.16 (2.62)***	-0.14 (2.03)**	-0.15 (2.27)**	-0.16 (2.11)**	-0.16 (2.98)***	-0.15 (2.39)**
Primary schooling (1970)	0.51 (4.63)***	0.37 (3.13)***	0.47 (4.14)***	0.34 (2.94)***	0.49 (4.20)***	0.35 (3.06)***	0.45 (4.7)***	0.34 (3.03)***
Openness	0.08 (1.48)	0.05 (1.06)	0.07 (1.30)	0.06 (1.29)	0.07 (1.38)	0.062 (1.29)	0.05 (1.08)	0.06 (1.28)
CPI	-0.12 (1.89)*		-0.31 (2.61)***		-0.23 (1.37)		-0.38 (3.41)***	
WB		-0.3 (2.18)**		-0.50 (3.14)***		-0.48 (2.19)**		-0.57 (4.09)***
CPIx rule of law			0.17 (2.51)**					
WBx rule of law				0.29 (3.11)***				
CPIx government effectiveness					0.09 (0.9)			
WBx government effectiveness						0.22 (1.68)**		
CPIx lack of violence							0.22 (3.09)***	
WBx lack of violence								0.33 (3.75)***
N	67	71	67	71	67	71	67	71
R ² adj	0.33	0.30	0.39	0.36	0.33	0.32	0.41	0.39

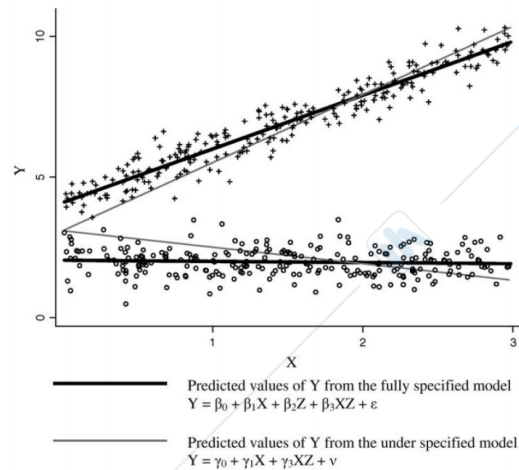
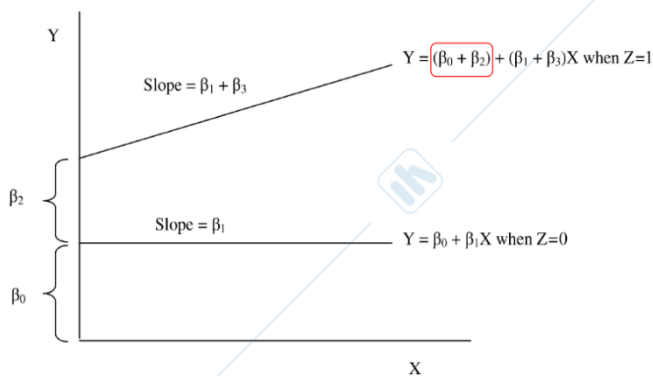
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Concerning aspect

- CC and the other WGI indicators are highly correlated, especially Rule of Law
- Specification and interpretation of interactions. Four basic rules:
 - Include the interaction term
 - Include all the constitutive terms of the interaction
 - Do not interpret constitutive terms as unconditional marginal effects
 - Plot the graphs with marginal effects with substantive confidence intervals

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 XZ + \varepsilon$$

Hypothesis H₁: An increase in X is associated with an increase in Y when condition Z is met, but not when condition Z is absent.



Support to financial redistribution

Research question: does institutional quality increase support for cross country redistribution in Europe? Focus on political and institutional level. Analyses euro crises 2009-2015: • Massive cross-national transfers

• Financial help became a highly contentious issue

Most of the existing studies on support for international redistribution focus on: • Individual characteristics, attitudes and orientations • Macro-economic variables

Focus on the political-institutional level • Expectation: the quality of institutions present where citizens live affect their propensity to support financial bailout

Th and exectations.

National contributions toward cross border eu redistribution can be seen as a **collective action problem**. Cross national redistribution is a collective good, prevent financial crises and benefits from providing this good. Government has incentive to free ride, not pay and obtain in exchange stabilization of eu area. Corruption undermines public support for international redistribution through **two separate but interrelated effects**:

- On the **supply side** of the public good: > corruption => < expectation in the state capacity to raise revenues for collective good => < support for bailout • > corruption => < trust in EU institutions because < trust in national institutions (“congruence hypothesis”)
- On the **demand side** of the public good • > corruption => > demand for particularistic goods => < demand for financial redistribution

Research hp: H₁: Polities with higher levels of corruption will have lower public support for financial assistance within the EU on average

Hig level of corr is the lower support for financial assistance.

Research design is different, not a stricltry cross national. Individual observation of ind that answer nested in diffrent countriwes. Individual factors that can influence people theyre different because they live in diff countries.

Data with hierarchical structure: individual observations nested in countries => multilevel modelling • Individual level data: European Election Studies (EES) in 2014 • Macro-level data: QoG EQI

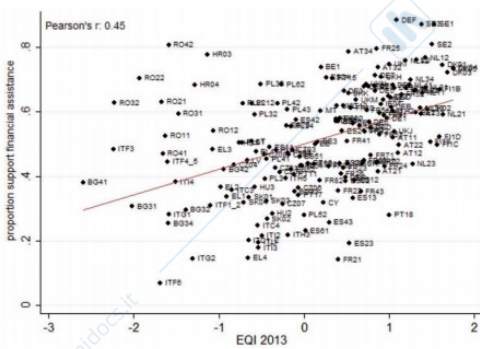
DV: To what extent do you agree or disagree with the following statement: In times of crisis, it is desirable for (OUR COUNTRY) to give financial help to another EU Member State facing severe economic and financial difficulties • Response categories dichotomized: no support VS support

IV: European Quality of Government index (EQI) => impartiality and corruption at the regional level • Robustness check with an objective measure of corruption: Kocsis and Fazekas (2017)

Control variables at the aggregate and individual level • Aggregate: Economic development and inequality • Individual: Self-interest, EU support and political cues

Mediation analysis:

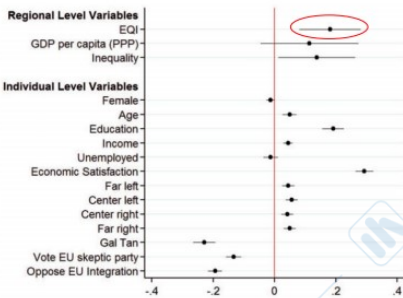
- A significant relationship between EQI and mediating factors
- A significant relationship between the mediating factors and support for financial aid



	(1) Support financial aid	(2) Support taxation	(3a) Trust Nat. only	(3b) Trust EU only	(3c) Trust both	(4) Feel EU citizen
EQI	0.56*** (0.25)	0.18*** (0.04)	2.09*** (0.28)	-2.32*** (0.26)	1.07*** (0.24)	0.24 (0.24)
Support taxation	0.52*** (0.06)					
Trust National only	0.42*** (0.04)					
Trust EU only	0.50*** (0.05)					
Trust EU & National	1.05*** (0.05)					
Feel EU citizen	0.47*** (0.04)					
Random effects		0.08** (0.004)	0.33** (0.03)	0.49** (0.04)	0.46 (0.04)	
Random intercept	0.23 (0.03)					0.46** (0.04)
Constant	-1.45*** (0.25)	0.30*** (0.03)	-4.21*** (0.24)	1.84*** (0.26)	-3.45 (0.25)	0.14 (0.24)
Type of hierarchical estimation	logit	OLS	logit	logit	logit	logit
Observations (regions)	19,418 (182)	20,518 (182)	20,389 (182)	20,389 (182)	20,389 (182)	20,970 (182)
Model Chi ²	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Congruence effect with > QoG
Compensation effect with < QoG

No effects via the demand side of public good



Concerning aspects • Control for cosmopolitan attitudes and traits (no data availability) • Structural equation models (SEM) is the best way to perform a mediation analysis

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Corruption and political support

One of causal mechanism that affect support of citizen and support of redistribution is through effect of trust in institution, see yesterday. How corruption can be detrimental for political support, see today. Two articles, Clausen, B., A. Kraay, and Z. Nyiri (2011) "Corruption and Confidence in Public Institutions: Evidence from a Global Survey" *The World Bank Economic Review* 25(2): 212–249.

Pellegata, A., and V. Memoli (2018) "Corruption and satisfaction with democracy: the conditional role of electoral disproportionality and ballot control" *European Political Science Review* 10(3): 393–416 .

First by three authors look at **relationship btw corruption and trust in institutions**, second one looks at **relationship btw corr and satisfaction in democracy**. Not political support investigate moderating role and conditional effect of electoral system and political support/corruption. Political support is impo because idea of political system and public support is necessary for legitimacy of democracy, a political system cannot be considered legitimate if not supported. See contemporary representative democracy based on accountability and chain of delegation.

Relationship between **corr and political support** in both **institutional confidence** (first article) and **satisfaction with democracy**(second). Pay attention on possible revers causality. Two different measure of political support. Cross ational surveys measure of the support of citizen on political.

Distrust gov and institutions may be **detrimental** for the functioning of political system and the survival of democracies. and individual trust institutions if they are able to provide outputs, public goods, economic development, so much more attention has be devoted to **economic performances** of trust than on **political factors**. Political performance and the functioning of formal political institutions matter for **political support**. How decision making process function in an accountable way for an individual to consider a pol system as

good or bad. Series of procedures considered in order to understand which is the functioning of political institutions and how they work in order to provide public good. **First article more empirical** than theoretical. Large **cross sectional comparisons, individual level measures** of corruption and alternative explanatory factors of trust. Investigate the **potential reverse causality** btwn corr and trust.

Theory simple and intuitive. There are different **theoretical approaches**.

- **Institutional theories:** political trust and distrust are **rational responses** by individuals to the **performance** of institutions. How inst work is important for the political support. The incapacity of political institutions to provide efficient output undermine the principles of democratic **accountability** and diminish **legitimacy** of democratic political institutions. Corrupt institutions are ineffective institutions that diverts resources from the common interests to small groups in the society. When citizens perceive that institutions are corrupt they are more likely to mistrust them. When corruption is endemic, corruption and mistrust reinforce each other in a **vicious circle**.

Authors use different kind of **data source**, largest household survey **Gallup world poll 2008,2009**.

Dv: Do you have **confidence** in each of the following: **military, judicial system and courts, national government and honesty of the elections**.

Iv: sometimes people have to give a bribe or present in order to solve their problems. In the last 12 months faced this situations? Dummy 1 0

Iv: is corruption widespread throughout the government in this country? Dummy 1 0

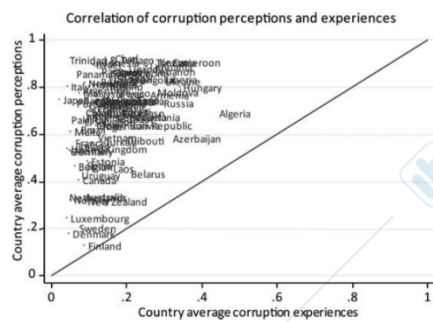
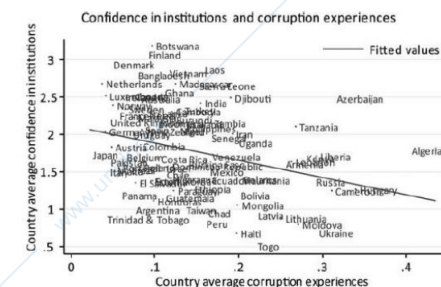
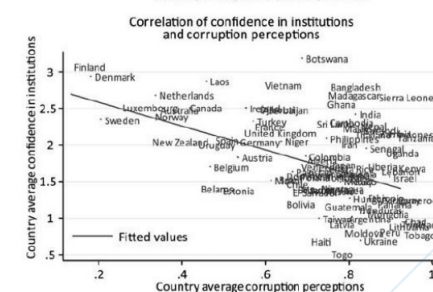


Grafico share of **people that consider corr widespread**. Two indicators are related but very different. Consider different aspect of corr. Experience related to street level petty corruption, while individual perception refers to grand corruption. Graphs we can see that share of people that report corruption widespread tend to be much higher than direct experiences all the countries are above 45 degrees line. If related they should be in the line. People tend to perceive more than report direct experience.



Two graphs connect **two different independent variables with dependent variable** (average confidence in institutions) likert scale on 0 4. Obtain an index simply country average. **Iv and dv are related**, corr perception expected more related to confidence on public institutions, attitude related to other attitudes. Also corr experiences are related to confidence. In both scatters we can see distribution heteroskedastic (triangular). For lower level we can have high variations, huge variation among country for average confidence.



presenting main results, confidence int derived by index. We can see a series of individual level variables such as age, marriage,... took into account variation within and across countries, standard errors are clustered at a country level. So all those countries with specific characteristic that can affect research. In respect of number of control variables, regression coefficient are always negative and higher corr=lower confidence is highly

TABLE 3: FIXED EFFECTS REGRESSIONS CONTROLLING FOR AGE

	(1) Confidence in institutions	(2) Confidence in institutions	(3) Confidence in institutions	(4) Confidence in institutions
Corruption experiences	-0.280*** (-6.67)	-0.185*** (-5.62)	-0.873*** (-20.05)	-0.518*** (-16.37)
Corruption perceptions				
Male	0.0123 (0.52)	-0.00647 (-0.34)	-0.00512 (-0.23)	-0.0144 (-0.78)
Age	-0.0137*** (-5.90)	-0.00135 (-0.54)	-0.0141*** (-5.21)	-0.00118 (-0.47)
Age2	0.000198*** (6.76)	0.0000456* (1.66)	0.000180*** (6.02)	0.0000425 (1.53)
Married	0.0890*** (4.05)	0.0399** (2.13)	0.0739*** (3.37)	0.0342* (1.80)
Secondary education	-0.131*** (-3.94)	-0.118*** (-4.79)	-0.124*** (-4.04)	-0.116*** (-4.81)
Tertiary education	-0.0822 (-1.49)	-0.0791* (-1.74)	-0.102** (-2.18)	-0.0916** (-2.21)
Income	-0.000267 (-0.02)	-0.0470*** (-3.68)	-0.00943 (-0.68)	-0.0488*** (-3.76)
Internet access	-0.0612* (-1.71)	-0.0784*** (-3.17)	-0.0817** (-2.55)	-0.0872*** (-3.68)
TV	-0.0327 (-0.67)	-0.101*** (-2.86)	-0.0234 (-0.49)	-0.0943** (-2.62)
Ladder of life		0.0151*** (2.74)		0.0139** (2.61)
Standard of living		0.228*** (8.30)		0.220*** (8.02)
Emotions		0.0533*** (4.90)		0.0519*** (4.77)
Economy good/bad		0.530*** (17.52)		0.489*** (17.20)
Economic outlook		-0.190*** (-11.61)		-0.183*** (-11.70)
Corruption trend		-0.272*** (-15.54)		-0.207*** (-12.61)
Religious organizations		0.705*** (19.25)		0.689*** (18.81)
N	49019	49019	49019	49019
No. of countries	90	90	90	90
R-sq	0.218	0.378	0.264	0.392

Estimation is by weighted least squares using sampling weights provided by Gallup, and

significant. What matters is perceptions; all of us has an idea of how much is widespread but never direct experienced it. So it can influence confidence more. Robustness check to look geographic area that influence relationship and so on. Section in which he manage problem of reverse causality.

- Very difficult to find a valid instrument
 - Correlated with corruption but not with trust

$$y = \beta x + \varepsilon$$

$$x = \gamma y + v$$

y = trust
 x = corruption
 β = effect of corruption on trust
 γ = effect of trust on corruption

We want to estimate β as a function of γ to understand the effect of corruption on trust irrespective of the potential reverse causation

$$\hat{\beta} = \frac{COV(x, y) - \gamma V(y)}{V(x) - \gamma COV(x, y)}$$

If $\gamma = 0 \Rightarrow \beta = \text{OLS estimator (Table 3)}$ assuming no reverse causality

If $\beta = 0 \Rightarrow \gamma = COV(x, y)/V(y) \Rightarrow$ corruption is explained by trust and NOT vice versa

Range of variation: from $\gamma = COV(x, y)/V(y)$ to $\gamma = 0$

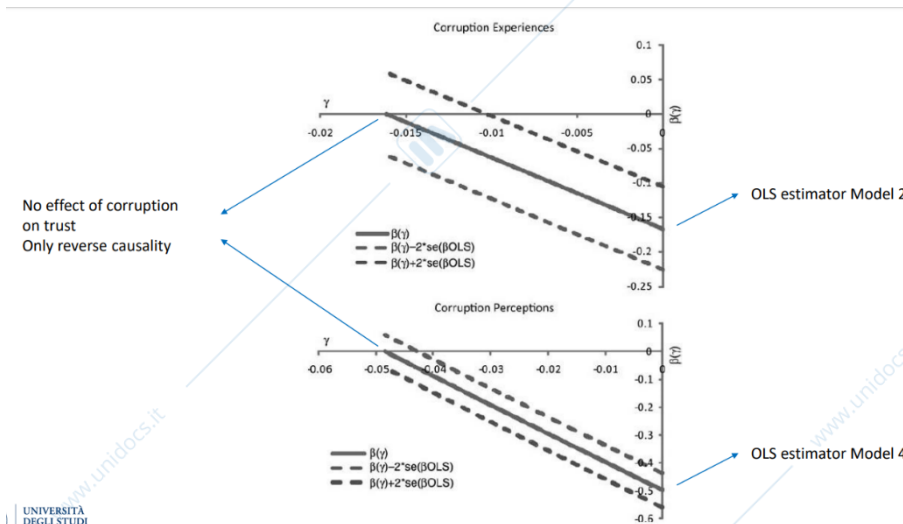
- We can plausibly assume that $\beta < 0$, otherwise corruption would have positive effect on trust

Managing reverse causality public support – corruption.

Only between corruption perceptions and confidence. Not true even if less harmful when consider experience of corruption. Highly debatable causality.

Basically by equation, trust is considered estimated as a function of corruption X and a set of alternative explanatory factors

entered in the residuals E. corruption can be considered as a function of trust plus residuals control variables. If we estimated beta as a function of gamma we see reverse causality effect. How beta vary according to various level of gamma. If gamma = 0 no effect of trust on corruption so no reverse effects. OLS estimator assuming no reverse causality in table 3. Beta = 0 corruption has no effect on trust but only from trust to corruption, direction is the contrary of what is postulated. Range of variation...vedi slide...



Tables: 0 level = no effect. reverse causality present, theoretically postulated it. In system in which high corruption is present we have vicious circle, influence in circle. So reverse causality but our estimated relationship that corr exploit effect on trust is still present even if high level of reverse causality. Only for high level of gamma corr do not produce significance level on trust. Both direction but even if we have reverse

causality, corr continues to play a role on political support. Do not solve the problem. Problem of direction is not empirical observation.

Starting from **Easton analysis** of political system we can differentiate two **kind of support**:

Diffuse support: support for a political regime as an ideal. **Specific support** support for the decision and general performance of a political system, for the decision taken and performance.

There are studies that illustrates by taking countries in post soviet union, level of support for dem as an ideal was very high, but at the same time were hybrid regime in which accountability was low and the level of support towards the performance of the regime was very low. High ideal support (diffuse) but not very supporting for performance (specific).

Satisfaction with democracy (SWD) is considered a measure of **specific support** addressed to the **performance** of a dem regime. More corruption = less support for the way dem process works.

This study investigates the **interaction btwn input (procedures) and the output (performance)** side of democracy on **SWD**. **Input side** how **electoral system** structures the dynamics of competitions. **Output side**: how much political system are **corrupt**. Interact different characteristics of electoral system with output

characteristic to understand if and how can moderate linkage btwn individual perceptions on corr and level of satisfactions.

Graph. Sample countries in the analysis and proportion citizen perceiving level of corruption and people satisfied with democracies. We expect inverse relationship. At the top of the graph, inverse relation is highly visible. High corruption and low satisfaction with democracy. Not always so visible. Example Belgium or japan. 90% perceive high corruption grand, but at the same time, more than 70% are satisfied on how democracy works.

Moderatig role of electoral system

With different **features of the electoral systems**, citizens may take **more or less into consideration** perceived corruption when evaluating SWD

- Vote-seat disproportionality (and district magnitude)
- Ballot control

Different causal mechanisms operating contemporaneously but at different levels

> **disproportionality** => two-party competition and > possibility of alternation => > **accountability**

- Corruption is less important because voters know that they can “throw the rascals out”
- Alternative argument: < district magnitude => barriers-to-entry effect => in SMD voters may not find honest alternative candidates

> **ballot control** => candidate-oriented electoral systems => **direct link between candidates and their constituents** • Reputation of the candidate trumps the reputation of the party => corruption becomes more salient for both voters and candidates

Research hp, two conditional hp.

- H1: With increasing levels of vote–seats disproportionality, the negative effects of perceived corruption on SWD **weaken**
- H2: With increasing voter control of the ballot, the negative effects of perceived corruption on SWD **strengthen**

Data and methods

- CSES Module 2 dataset, 35 elections in 33 countries between 2001 and 2006 (N=29,376)
- DV: “On the whole, are you very satisfied (1), fairly satisfied (2), not very satisfied (3) or not at all satisfied (4) with the way democracy works in [country]?” (SWD). Reversed scale: > values => > SWD
- Perceived corruption: “How widespread do you think corruption such as bribe taking is amongst politicians in [country]?: very widespread (1), quite widespread (2), not very widespread (3), it hardly happens at all (4)” Reversed scale: > values => > corruption
- Moderating factors: • Gallagher’s Least Square index of disproportionality: > scores => > vote-seat disproportionality • Average district magnitude • Ballot control: > scores => > voters’ influence in selecting candidates • Individual-level and country-level control variables

Table 1. Main results of multilevel ordered logit on satisfaction with democracy

	Model 1	Model 2	Model 3	Model 4	Model 5
Cross-level interaction effects					
Corruption	-0.598 (0.031)***	-0.509 (0.020)***	-0.525 (0.031)***	-0.574 (0.032)***	-0.419 (0.028)***
Disproportionality	-0.020 (0.013)			-0.049 (0.016)***	
Corruption x disproportionality	0.008 (0.004)*			0.012 (0.005)**	
District magnitude		-0.000 (0.002)			0.004 (0.003)*
Corruption x district magnitude		-0.002 (0.001)**			-0.003 (0.001)***
Ballot control			0.376 (0.095)**	0.490 (0.104)***	0.425 (0.079)***
Corruption x ballot control			-0.027 (0.030)	-0.053 (0.030)*	-0.089 (0.024)***
Individual-level Controls					
Age	-0.025 (0.009)***	-0.025 (0.009)***	-0.025 (0.009)***	-0.025 (0.007)***	-0.025 (0.007)***
Gender	-0.031 (0.025)	-0.031 (0.023)	-0.031 (0.024)	-0.030 (0.024)	-0.031 (0.023)
Education	0.020 (0.016)	0.021 (0.016)	0.020 (0.018)	0.020 (0.018)	0.020 (0.016)
Unemployed	-0.233 (0.057)***	-0.231 (0.050)***	-0.233 (0.053)***	-0.233 (0.056)***	-0.232 (0.054)***
Politicians make difference	0.103 (0.009)***	0.104 (0.010)***	0.103 (0.010)***	0.103 (0.011)***	0.103 (0.011)***
Winner	0.382 (0.024)***	0.382 (0.023)***	0.382 (0.025)***	0.382 (0.024)***	0.382 (0.024)***
Closeness to party	0.223 (0.026)***	0.222 (0.022)***	0.223 (0.027)***	0.223 (0.022)***	0.222 (0.024)***
Distance from government	-0.006 (0.007)	-0.006 (0.008)	-0.006 (0.008)	-0.006 (0.009)	-0.006 (0.009)
Average party extremism	0.004 (0.026)	0.037 (0.023)	0.072 (0.026)***	0.081 (0.026)***	0.063 (0.024)***
Age of democracy	0.004 (0.001)***	0.005 (0.001)***	0.005 (0.001)***	0.002 (0.001)***	0.004 (0.001)***
CPI	-0.063 (0.014)***	-0.033 (0.015)**	-0.056 (0.013)**	-0.038 (0.014)***	-0.039 (0.014)***
(log) GDP per capita	0.227 (0.042)***	0.196 (0.041)***	0.346 (0.048)***	0.384 (0.051)***	0.260 (0.057)***
GDP growth	0.056 (0.007)**	0.056 (0.007)**	0.058 (0.007)**	0.063 (0.008)***	0.042 (0.008)***
Cut point 1	-1.246 (0.419)**	-1.273 (0.437)**	0.396 (0.508)	0.683 (0.554)	-0.242 (0.612)
Cut point 2	0.846 (0.420)**	0.819 (0.437)**	2.487 (0.508)***	2.774 (0.555)***	1.850 (0.610)***
Cut point 3	4.032 (0.425)***	4.005 (0.440)***	5.674 (0.513)***	5.961 (0.539)***	5.036 (0.610)***
Variance (corruption)	0.044 (0.009)**	0.040 (0.010)**	0.044 (0.010)**	0.042 (0.009)**	0.036 (0.009)**
Variance (country-election)	0.552 (0.120)***	0.562 (0.131)***	0.488 (0.109)**	0.447 (0.103)**	0.480 (0.109)**
Covariance (country intercept/corruption slope)	-0.128 (0.031)***	-0.131 (0.036)***	-0.123 (0.031)***	-0.113 (0.029)***	-0.113 (0.030)***
AIC	60,907.68	60,894.79	60,900.97	60,902.66	60,894.91
N	29,376	29,376	29,376	29,376	29,376
Groups	35	35	35	35	35

Graph: control variables individuals + country levels. Dataset with hierarchical structure. Nested in different countries, multilevel model intra and across country variation. Take into account different control variable that have effect on satisfaction with dem. Cross level between individual level and country level. Random slope model. ... non capisco...

Graph 1 e 2. 2 at increasing level of district magnitude we have low level .

06.05.2020

Corruption and voting behaviour

Relation corruption individual experiences and perceptions and political attitudes yesterday. In particular political support with two indicator, general satisfaction and ... today how individual perceptions of corr can be linked to voting behaviour of citizen. Dahlberg, S., and M. Solevid (2016) "Does corruption suppress voter turnout?" *Journal of Elections, Public Opinion and Parties* 26(4): 489-510 • Charron, N. and Bagenholm (2016) "Ideology, party systems and corruption voting in European democracies" *Electoral Studies* 41(1):35-49

First related individual perception with **voter turnout**, **second** charron bagenholm looks at **how corruption can influence decision to continue to vote** for a party or change my mind. Focus: the relationship between **corruption and voting behaviour**

Two different strategies: • Test the effect of voters' perceived corruption on their decision to take part or not to elections • Under which conditions (individual characteristics and politico-institutional settings) voters reward or punish a corrupt party

Frist one voter turnout

Want to explain voters' turnout, not at an aggregate level of electoral data but individual level turnout. **Turnout** is important because is an indicator of **democratic legitimacy**, if people refuse to participate in election, for any reason, this should be a great problem for the legitimacy of dem system, citizen do not trust anymore and prefer to not participate. Voter is also crucial for this relation of **electoral accountability**, because elections are the moment in witch accountability can be performed, and it weakens if people do not vote. Monitor is less powerful.

Quite broad literature, one of the **major shortcoming** is the apparent focus related to either **individual characteristics** or on **system factors** on the input side of the dem system. Different electoral system; procedural aspect of dem, can influence voters decision and so on. Two authors decided to not focus on input side but looks at output side, at performance of dem system, so perceived level of corruption. One of the differences from the past. In the **past literature show mixed results**, some studies finds support for corruption mobilizing and increasing turnout, others find that corruption alienates voters and decreases turnouts. **Aim**: investigate the **impact of system-level corruption** on the presumed relationship between **corruption perceptions and turnout**

Syndrome of corruption

Corruption spread in different countries, dynamics are different, according to different countries characteristics. **Johnson** developed this term, **syndrome of corruption**. Different from country to country and can affect perception of corruption and voters turnout in different way. Johnson find **4 different type** of corruption

- **Market influence** corruption: private interests through politicians interfere with the political process in specific sectors. Typical in advanced industrialized countries with **strong institutions**. Monitor are strong but there are private interests powerful engaged in corr.
- **Elite cartel** corruption: elite network that use corrupt incentives and exchanges to sustain the system. Typical in countries with **moderately strong institutions**. Public and private move in same direction for corruption. Institutions not so strong in monitoring.
- **Oligarch and clan** corruption: different and changing elites seeking private gains. Typical in countries with **weak institutions**. Example Russia.
- **Official mogul** corruption: abuse of power by government officials and their clients (kleptocracy). **Institutions are very weak**. Underdeveloped countries in Africa and Middle East. Is similar to 70s 80s kleptocracy, developed by investigating sub-Saharan authoritarian regime.

Linking corruption to voter turnout, Two different arguments:

- **Corruption increase turnout**, because of political **clientelism** and **vote buying**, exchange of benefits for vote. Or opposite reason, voters **mobilize against corrupt** government to reach a clear government.

- **Corruption decrease turnout.** From last lecture, high level of corruption widespread in the system generates spiral of **cynism, dissatisfaction** with dem process. Voters do not vote, nothing can change. Higher perceived **corruption = higher cost of mobilizing** for voting. More expensive for parties who want to replace gov party corrupted, so level of **turnout is lower**.

Hp1: perceiving politicians as corrupt should decrease turnout.

Link corruption-voter turnout

How system level corruption can influence individual perception of corruption and personal decision to go to vote. The **rationale to vote** for a voter in a highly corrupt country is different from the rationale of a voter in a country with low corruption. Different prerequisite for political accountability and responsiveness.

Higher degree of corruption, higher the likelihood corruption is more severe, widespread and institutionalized. More corruption lead to weak institutions = **less accountability and more voter alienation** and distrust.

Warren "corruption limits the use of collective action and redies the scope of democracy."

Hp2 = perceiving politicians as corrupt decreases turnout more I countries with a high degree of corruptions compared to countries with a low degree of corruption.

So how corruption affect individual perception of corruption and voters turnout.

RESEARCH 1

Data = CSES MODUL 2 2001 2006

DV = self reported individual **participation in last national elections** (dummy). Bias toward overestimation compared to real turnover levels (they don't remember, problem of social desirability and answer they vote even if they do not vote).

IV = how **widespread do you think corruption** such as bribe taking is amongst politicians in [country]: very widespread, quite widespread, not very widespread, it hardly happens at all?"

Moderating variable = CPI measuring system level corruption. Reversed scale low score means low corruption.

Aggregate and individual corruption levels

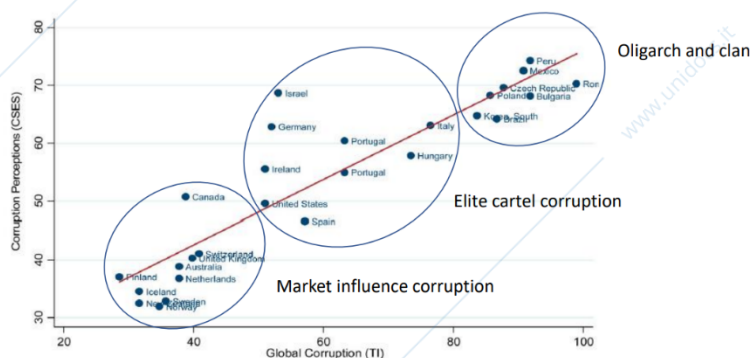
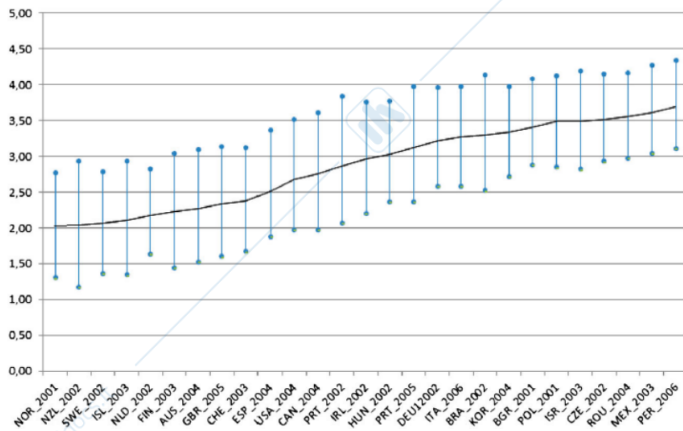


Grafico = combine aggregate at country level responses citizens gave of individual perceptions of corruption. Aggregate level measures of corruption perception index, this two indicators are related, individual perception tend to be correlated in quite a good way but there are some deviation (Israel, Germany, perceive more

corruption compared to experts). We can distinguish **different clusters** according to different **syndrome of corruption** in their system.

- **Bottom** very advanced economies, high level of good governance and powerful institutions. Type of corruption is **market influence** corruption, single private members.
- **Middle countries** syndrome = **elite cartel corruption**, some of them can be questionable, true for Italy and Portugal, Hungary Spain. Germany is not the case market influenced.
- **Top, oligarch and clan corruption.** This is a model simplification to understand how corr works in a country.

Between- and within-country variation

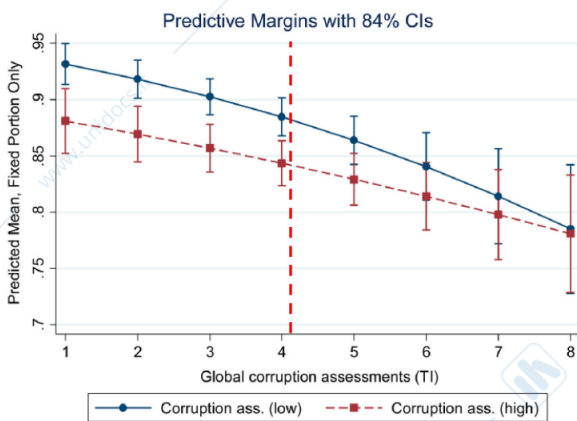


this graph shows mean and standard deviation of each election in countries. Both individual answer spread along different scores but also between country variation. We can see intra and between countries' variation. Dataset is hierarchically structured individual level observation nested in different countries, can vary, but also average position can vary by the fact that citizens live in different countries. Two authors run multilevel regression curve. See data below

Table 1. Corruption and turnout (unstandardized logistic coefficients, random intercepts and slopes).

Individual-level variables	Model 1	Model 2	Model 3	Model 4
Corruption assessments	-0.136*** (0.028)		-0.133*** (0.029)	-0.284*** (0.078)
Sex	0.088** (0.035)		0.087** (0.035)	0.089** (0.035)
Age	1.294*** (0.069)		1.296*** (0.069)	1.295*** (0.067)
Education	0.863*** (0.089)		0.863*** (0.089)	0.855*** (0.089)
Marital status	0.325*** (0.037)		0.325*** (0.037)	0.325*** (0.037)
Employed	0.158** (0.067)		0.157** (0.067)	0.157** (0.067)
Income	0.258*** (0.060)		0.258*** (0.060)	0.256*** (0.059)
Political knowledge	1.159*** (0.063)		1.160*** (0.063)	1.154*** (0.064)
Party identification	0.914*** (0.038)		0.914*** (0.038)	0.914*** (0.038)
System-level variables				
Global corruption perceptions (TI)		-0.170*** (0.056)	-0.154*** (0.058)	-0.249*** (0.071)
Compulsory voting		1.353*** (0.405)	1.641*** (0.419)	1.577*** (0.418)
Cross-level interaction				
Corruption ass.*Global corruption (TI)				0.025** (0.012)
Constant	-0.441** (0.215)	2.737*** (0.353)	0.260 (0.383)	0.720* (0.433)
Std. Dev. Intercept	0.860 (0.123)	0.635 (0.091)	0.651 (0.094)	0.644 (0.093)
Std. Dev. Slopes (corruption)	0.102 (0.037)	- (-)	0.104 (0.038)	0.099 (0.038)
Log likelihood	-11124.111	-12226.802	-11117.182	-11114.556
Individuals	31,138	31,138	31,138	31,138
Countries	26	26	26	26

explanatory function at individual levels. Other are control. But also at a country level. Only 27 countries. Global corruption perception and compulsory voting. Cross level interaction between corruption measure at aggregate level and individual perception. To see individual level look at module 1 and 3. Regression coefficient presents sign inline with causality and significant, answer yes, regression is negative, so high perceived level of corruption = lower turnout. Lower predicted prob to participate in election and regression are significant in respect to control variable. Also system level corruption is significant with turnout. From module 2 and 3. To test hypothesis 2 look at cross level interaction, model 4. In this model, not unconditional effect, effect of individual level corr when system level corr approach 0.



Estimates marginal effects of individual assessment of corruption in two scenarios. Blue line individual corr ass is low. Red line corr ass is high. How effects of the two scenarios varies at different level of corr ass in country level. Propensity to vote decrease at increasing corruption, increase only when corr ass is high only for low corr system. Individual high as corr decrease prob to take part in election in respect to low ass corr. For high level of corrupting systemic level there is a distinction for individual assessment. Simply because that in high corr system individual assessment are essential.

Corruption voting

RQ: Why do voters are willing to **vote for public officials** that they know to be **corrupt**?

Democratic **accountability** should provide incentives to voters that discover corruption scandals to

vote against corrupt politicians, But often corrupt politicians maintain/win political office

Gaps in the literature: Voters' ideology and party system configuration are neglected aspects. Only few systemic cross-country comparisons and mostly based on aggregate data

Main focus: the relationship between **ideological positions** of the voters and corrupt voting and how this is affected by the presence of **reasonable alternatives**

Making accountability work

- Corruption scandal should be **discovered by voters**, media and opposition parties play an important role.
- **Voters should not benefit** from corrupt activities. Vote as a rational calculation.
- **Strong loyalties** make voters less likely to vote for corrupt parties. Home team effect. Corruption should be a salient issue. Gov may perform well in economy making corr less salient.
- **Presence of reasonable alternatives.** Voters maybe discover corruption, complain, not so loyal, want to change their vote but they should have the possibility to vote for a reasonable party alternative. If not find is difficult to change it's mind.

The argument

A market-like **demand-supply model**, combines **individual ideology** (demand) and the presence of **clear alternative parties** (supply). How voters **react to a corruption scandal** in their preferred party largely depends on the ideological positions of the voters and the presence of reasonable alternatives. Voters **trade accountability** with **ideology**. Reasonable alternatives are represented by parties ideologically close to voters.

Ideology as a **U shaped relationship**, nonlinear related, with the propensity to continue to vote for one's party, despite the presence of corruption. Centrist voters are more likely to find reasonable alternatives than extreme voters.

The higher number of parties composing a party system, the **U shaped is expected to be flatter**. In **limited party system** voters are much more shaped by ideology because of the strategic voting. In **fragmented** party system the reaction to corruption by centrist and extreme voters will converge

Research hypotheses

- H1. The U-shaped relationship between individual ideology and the probability of corruption voting is conditioned by the country's party system; the relationship between ideology and the probability of corruption voting is U-shaped on average for limited party systems, yet as the number of parties increases, the U-shape is expected to flatten.
- H2. A voter's likelihood to switch to an alternative party when their preferred party is involved in a corruption scandal is inversely related to the expectations of H1. Compared with centrist voters, ideologically fringe voters have a lesser likelihood of supporting an alternative party in a limited party system. However, as the number of viable alternatives increases, the reverse-Ushape is expected to flatten.
- H3. The relationship between ideology and voters' likelihood to abstain from voting when their preferred party is involved in a corruption scandal is also conditioned by the party system: in limited systems it is expected to be U-shaped, but is expected to flatten as the number of parties increases.

Data and variables

DATI = QoG – EQI dataset (2013), 24 European countries, 85,000 respondents

What political party would you vote for if the national parliamentary election were today?

Now imagine that party was involved in a corruption scandal. Which of the following would be most likely?

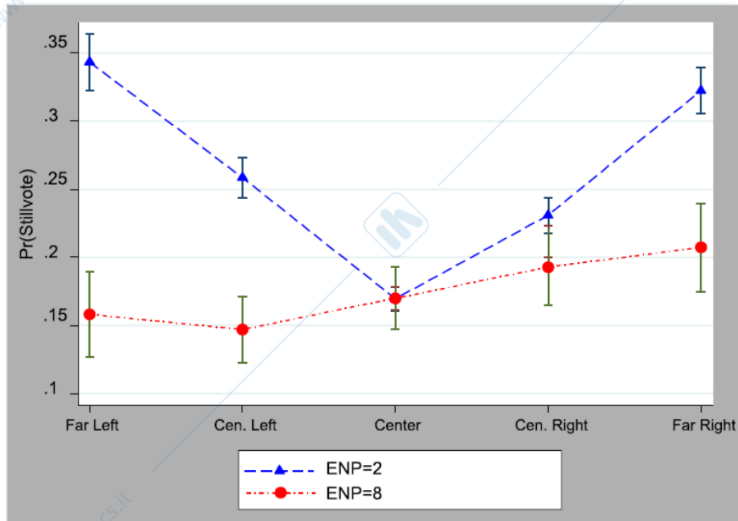
a) Still vote for preferred party b) Vote for an alternative party not involved in the corruption scandal c) Not vote at all • Still vote VS alternative vote OR not vote (dummy) • Still vote VS alternative vote VS not vote (nominal)

IV: Left-right self-placement on 1 to 7 scale. Rescaled in 5 categories: far left, centre-left, centre, centre-right, far right (not located)

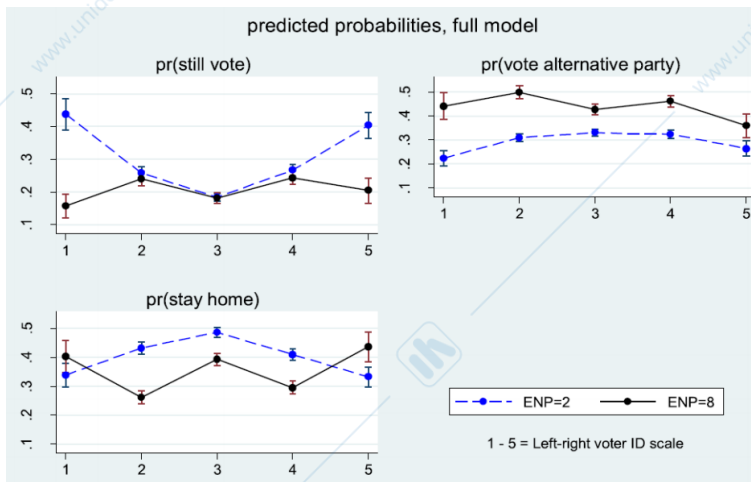
Moderating factor: ENP average in last three elections

20% of people decide they still vote for a party, 33% decided to vote for an alternative party. 40% abstain.

Number make clear puzzle.



Graph marginal effect. Still vote versus other option. Two scenario. Probability to continue to vote for the same party for the 5 different categories. Blue line limited party system, red ENP similar to Belgium almost 8 parties. U shaped relationship in limited party system. Red line completely different, curve is flatter. Ideology matter less in red



Second disentangled three different options for five ideological categories. U shaped for limited and flatter for fragmented party system. It is easier to switch for another party in fragmented party system, the differences from centre and fringe apart from far fringe, and probability to switch is very low compared to limited one, voters less able to find reasonable alternatives, easier if you are in the centre. Probability to stay home in different categories, propensity to stay home is higher in limited party system especially for centrist voters. Extremist lower, different from

authors expectations, inverse U relationship. In fragmented centrist are higher to stay home but in line with fringe voter. Centre left and right lower stay at home because they find more alternatives.