Economic, Cultural and Religious Determinants of Perceived Level of Political Corruption

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ABSTRACT

Political corruption has received increasing attention in the recent literature as it leads to crises in both industrialized and developing countries. This study examines the level of corruption and for this purpose this study tries to find out the question of what determines political corruption. Foreign aid, the world policy index, GDP per worker, democracy, British colony, religion, women in the parliament, ethnolinguistic fractionalization, and the number of years of schooling are used as explanatory variables. The ordinary least squares (OLS) and a parsimonious specification is used in order to identify the insignificant variables which will be dropped sequentially from the first setup, so as to arrive at a final specification. Yet, the core variables are kept, which were the number of years of democratic government (Durable), and the percentage of population with Protestant religious affiliation (Prot), and ethnolinguistic fractionalization (Etf), from the first specification to the last one and those core variables have a significant effect in determining the perceived level of corruption.

Keywords: Corruption, Cultural Determinants, Developing Countries, Economic Determinants, Political Corruption, Religious Determinants

1. INTRODUCTION

Political corruption is one of the common problems of developing countries. The political science literature commonly takes one of three approaches when seeking to define political corruption. One approach is to define corruption based on the undermining of public interest for personal gains. That is, public officials sacrifice the general interest in order to favor specific groups, in return for private rewards. A second approach to defining corruption focuses on exchange principles, in which one party offers inducements (frequently but not necessarily monetary) to a corrupt public official who relies on his position in return for special policy or administrative advantages, or political goods. Finally, the third approach focuses on whether such exchanges violate established norms in the society. That is, corruption is behavior by public officials that deviates negatively from the norm actually prevalent or believed to exist. With these three approaches, the most widely used and straightforward definition of political...
corruption can be stated as “the improper use of public office in exchange for private gain” (Sandholtz & Koetzle, 2000, p. 35).

Gray and Kaufman (1998) pointed out some of the real economic costs of corruption. According to his work, bribery raises transaction costs and uncertainty in an economy. Bribery also usually leads to inefficient outcomes as it discourages foreign and domestic investment misallocating talent to rent-seeking activities, distorting sectoral priorities and technology, pushing firms underground, and leading fewer people to pay higher taxes. This in turn causes governments to collect less revenue, reducing the state’s ability to provide essential public goods, including the rule of law. This also means that the total welfare of the society is reduced by corruption.

In academia, corruption has received increasing attention in the recent literature because corruption scandals have forced governments into crises in both industrialized and developing countries. Tanzi (1998) explains some reasons why corruption has been receiving more attention in the recent literature. These reasons include an increase in the number of countries with democratic and free media, especially at the end of the Cold War. These factors help to open a discussion about corruption. Globalization has increased the number of contacts between corrupt and uncorrupt countries, and nongovernmental organizations such as Transparency International have begun to play an important role in this world.

Tanzi (1998) argues that corruption has received more attention because of the changing role of government in the society. We have experienced increases in both the level of taxation and public spending, which have created more rents to tempt corruption. Tanzi also believes that there is more corruption today because of the business and economic changes such as the privatization of non-natural monopolies. In the past, public or state enterprises have been used to finance the activities of political parties, and to provide jobs to the members of particular political groups. Unfortunately, the process of privatizing public or state enterprises has itself created situations whereby some individuals (ministers, high political officials) have the discretion to make the basic decisions while others (managers and other insiders) have information not available to outsiders so that they can use the process of benefit themselves. These problems have been observed significantly in the transition economies.

Another reason why corruption has received more attention is the increase in empirical works on this topic, such as Paulo Mauro’s 1995 work entitled “Corruption and Growth.” Mauro’s work was the first study to show empirically that corruption decreased investment and thereby growth. Mauro (1995) finds that the richer countries tend to have better government institutions than the poorer countries, and according to the author, bureaucratic efficiency fosters economic growth. Empirically, Mauro found a negative relationship between corruption and investment rates regardless of the amount of red tape. Also, Mauro found that institutional inefficiency causes low investment, which, in turn, leads to lower growth rates.

Researchers have forwarded various reasons for corruption. Paldam (1999) believes that there are two crucial views which attempt to explain the causes of corruption. The economic view states that the economic level of a country, which is demonstrated by the real GDP per capita and the degree to which an economic system shows the characteristics of a wealthy liberal democracy, can explain corruption. Paldam states that transition from poor to rich and from a poor traditional country to a wealthy liberal democracy causes a dramatic reduction in the level of corruption. The other view is the cultural theory, which views corruption as a product of culture and politics.

On the cultural side, Treisman (2000) tries to find out answers to the question of why corruption is perceived to be greater in some countries than others. He believes that the level of economic development, political institutions, and government policies contribute to the corruption in a country. He states that countries with Protestant traditions and those with more developed economies have a
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