Democracy and Corruption: A Longitudinal Study of Latin America

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Abstract
Although often unable to satisfactorily solve the problem, democracy (especially enduring democracy) is commonly believed to reduce corruption. Yet, both Transparency International and World Bank continue to attach a high risk of corruption to Latin American countries: corruption and impunity remain prevalent in the area, despite consolidating democratic regimes and recent anticorruption reforms. Using level of democracy and its duration, as well as some information on the perception of corruption obtained from the Latinobarometro, we analyzed a panel data covering the period 2005-2009 in 18 Latin American countries. Our main results show that democratic levels have no clear impact on corruption, while democratic history does, but only after a certain period. Citizens’ trust towards government is also strongly associated to corruption levels: in particular, whenever citizens perceive government and the public administration to be inefficient and arbitrary, their perception of gains against corruption significantly decreases.

Introduction
Corruption - usually defined as a violation of the norms of public office for personal gain (Nye 1967) - has been known to hamper economic growth, to weaken the quality of governance and to reduce the level of trust that citizens put in political institutions (Mauro, 1995; Kaufmann, Kraay, and Mastruzzi, 2006; Anderson and Tverdova, (2003). Although some scholar claim that corruption is functional to the process of development (Heidenheimer and Johnston 2002; Williams 2001), its practices usually take place in secret and provide privileged access to government officials for some parties, thus undermining fundamental principles of democratic governance, such as the openness and equality of the political system (Sandholtz and Koetzle, 2000).1 As a consequence, scholars have assigned great importance to uncover the potential determinants of corruption.

In our study, we offer an articulated definition of democracy, by looking both at democracy levels and at the duration of democratic regimes and take into account the interaction between these dimensions. We also believe that the support for democracy articulated individually by citizens is as important to determine the perceptions of domestic corruption as the aggregated evaluation of democratic governments submitted by specialists: whether democracy is well established or not, the current satisfaction regarding the efficiency and impartiality of government strongly affects the perceptions of the honesty or corruption of state servants. We claim that this further variable is a useful factor in explaining changes in perceptions of corruption at the national level and that it should consistently be used in analyses of this kind. Thus,

1 A classic statement praises corruption as an important tool if the goal is to achieve stable political development (Huntington, 1968: 69). In the same vein, Merton (1957) mostly regarded it as the "grease" that helps the bureaucracy function in developing countries and, in so doing, increases citizens’ loyalty.
in doing so, we are also able to make individual-level inferences about how the average effects on corruption are distributed across the population over time.

We carry out our empirical analysis through a logistic regression model on an unbalanced panel dataset comprising 18 Latin American countries. Our article is one of the first to study the relationship of democracy and corruption for a considerable number of countries over a six year period, thus not only providing a cross-country perspective of the link between democracy, support for democracy and corruption, but also an analysis of its evolution over time. Such inter-temporal dimension permits to detect the effect of political institutions and support for democracy on corruption; by contrast, previous work depended exclusively on cross-sectional information or on short time periods (Blake and Morris 2009) and was, therefore, unable to differentiate the impact of potential explanatory variables, both institutional and individual, from other country-fixed effects. Our findings suggest that democratic levels have no clear impact on corruption, while democratic history does, but only after a certain period. Citizens’ trust towards government is also strongly associated to corruption levels: in particular, whenever citizens perceive government and the public administration to be inefficient and arbitrary, their perception of gains against corruption significantly decreases.

This article is structured as follows: first we review the relevant literature on the causes of corruption, then define and operationalize both corruption and a series of potential causal conditions, while trying also to specify the mechanisms by which the latter unfold their effects and the main hypotheses that will be empirically tested. After briefly explaining our empirical approach and illustrating its related techniques, we will discuss our findings for the region. Conclusions, as usual, will wrap up the analysis.

A Literature Review

Democracy has a complex and multifaceted relationship with corruption (Doig and Theobald 2000; Johnston 2005; Warren 2004). Several studies claim the existence of a negative causal relationship between democracy and corruption (Lambsdorff 2005, for an overview of the literature). In a sample of 64 countries, for instance, Treisman (2000) finds that democracy lowers corruption: however, while current degrees of democracy are not statistically significant, lower corruption levels are favored by a longer exposure to democracy. Similar results are obtained by Gerry and Thacker (2004; 2005), based on the cumulative number of years a country has been democratic since 1900 (see also Blake and Martin 2006; Thacker 2009). Adserà, Boix and Paine (2000), finally, find that electoral participation affects corruption: where electoral participation is higher, corruption levels are lower.

Democracy lowers corruption by facilitating the discovery of corrupt practices and the punishment of dishonest officials: the opposition strives to uncover corrupt acts by incumbents and voters will not re-elect politicians who pursue private rather than general interests. First, democratic competition urges politicians to pursue re-election by strengthening their performance of public goods provision, rather than expanding their rents or those of their clients (Carbone and Memoli, 2013). Since in a democracy politicians cannot guarantee that they will remain in power to look after the interests of rent-seekers, the latter will be less likely to bribe them, and corruption will be held back (Montinola and Jackman 2002: 151). In addition, the accountability and monitoring instruments provided by democracy create a public sphere where maladministration and corrupt behaviors are exposed and pressure is put on elected governments to remove the corrupt and respect the law and general, rather than particular, interests (Sen 1994; Carothers 2007). Checks and balances also make it more difficult for officials to deviate
from impartial practices (Manzetti 2000). Democratic societies, finally, attach a greater discredit to corrupt and dishonest practices. In short, “democracy and the consequent accountability raise the costs of corrupt behavior and likely deter bribe giving, therefore limiting the number of opportunities presented for corruption” (Bohara et al. 2004: 484).

A second group of scholars affirms that such relation is at least dubious. Paldam (2002) discovers a large correlation between democracy and corruption, but this relationship vanishes when GDP per capita is added to the model. In the same vein are the contributions by Persson, Tabellini and Trebbi (2003) and by Sandholtz and Koetzle (2000). Democracies may encourage corruption since election campaigns require funding, and competitive elections make parties and candidates exposed to pressures from contributors (Rose-Ackermann, 1999). Bac (2001) argues that transparency makes it easier to identify which official to bribe, thus encouraging rather than restraining corruption under democracy. Others have observed that institutions of accountability and control are often picked and financed by the government, which reduces both incentives and the capacity to challenge government corruption (Kolstad and Wiig, 2011: 3). Also, when corrupt values and behaviors are widespread in society, the advent of democracy may be insufficient by itself to bring about a radical change in corrupt attitudes and activities. In fact, the introduction of democracies may reinforce existing patron-clients relationships, leading to a ‘democratization’ of corruption rather than to its reduction, as in Italy, Japan, India and the United States between the Civil War and the Great Depression. Moreno, for instance, analyzes the trend of the relationship between democracy and corruption over the 1980s and 1990s, when democratization took place in a significant number of countries in Latin America, South Asia, Africa and the post-Communist world, and concludes that permissiveness toward corruption has not decreased significantly and in some cases it has even increased (Moreno, 2002).

A third position supports the non-linear nature of the relationship. Montinola and Jackman (2002) find that moderate levels of democracy do not lower corruption: however, beyond a certain democracy threshold, the positive impact of democracy becomes apparent. Manow (2005) reaches similar conclusions: he finds that corruption is higher in medium-democratic regimes than in authoritarian ones. Yet, passed this threshold, democracy is effective in cutting corruption. Sung (2004), finally, claims that a cubic functional form best explains the relationship between democracy and corruption. In short, existing results suggest that the relation between democracy and corruption is still controversial and that whether democracy reduces corruption is in the end a question to be answered empirically (Kolstad and Wiig, 2011: 4).2

A second cluster of critical determinants of corruption has to do with support for democracy, namely satisfaction with the way democracy works and assessments of government fairness. Satisfaction with democracy has been defined as: “the basic

2 Other findings relate to particular aspects of democracies, such as electoral rules (size of electoral districts: negative relationship; and parliamentarians elected from party lists: positive relationship), as in Persson, Tabellini and Trebbi (2003), but contra see Manow (2005); closed vs. open electoral lists (closed lists cause more corruption) as in Kunicova and Rose-Ackerman (2005); List attributes also interact with electoral district size: large district sizes and closed party lists lead to lower corruption (see Chang and Golden, 2004); proportional vs. majoritarian rules (proportional rules favor corruption), see Persson, Tabellini and Trebbi (2003) and Kunikova and Rose-Ackerman (2005), but contra see Manow (2005); parliamentarism vs. presidentialism (parliamentarism reduces corruption) see Gerring and Thacker et al., (2004.); presidentialism and closed-list proportional representation (which are worse for corruption (Kunicova and Rose-Ackermann 2005, but contra see Adserà et al., 2000).
evaluative orientation toward the government founded on how well the government is operating according to people’s normative expectations” (Hetherington, 1998: 791). In general terms, it is believed that low levels of satisfaction with democracy nurture corruption: a lack of trust in the government apparently inhibits the acceptance of a universalistic ethos and of cooperative behavior and promotes instead instrumental and individualistic approaches to problems and opportunities. Della Porta (2000: 205) claims that the “lack of confidence in government actually favors corruption insofar as it transforms citizens into clients and bribers who look for private protection to gain access to decision-makers”. Similar conclusions are also reached by Cleary and Stokes (2006). Guerrero and del Castillo underline the weakness of political trust in Mexico, combined with perceptions of corruption within certain institutions: they conclude that the view that “everyone is doing it,” significantly lessens the risk of exposure and sanctions, thus dissuading from following the law (Guerrero and del Castillo, 2003: 2). In a similar vein, Morris and Klesner empirically explore the relationship linking perceptions of corruption and trust in political institutions in Mexico, based on data from the 2004 Americas Barometer survey, and discover a strong mutual link (Morris and Klesner, 2010: 1260).

The crucial dimension in this respect is the expectation regarding the efficiency and impartiality of government and the public administration: whenever this expectation is disregarded, corruption is likely to grow stronger. The difficulty of getting a certificate or a permit, the multiplication of procedural controls and delays in the administrative process have been related frequently to the development of political corruption since, under such circumstances, corrupt politicians and civil servants may provide, in exchange for bribes, faster and more complete attention to particular cases, a favorable interpretation of rules and the application of simpler procedures (Della Porta, 2000: 222). Correspondingly, as inefficiency and corruption grow, people come to regard the state and the public administration as not transparent, as partial and unfair, bent on protecting the interests of those who have access to privileged channels of communication, through which to obtain special favors and profits at the expenses of the rest of citizens. This may induce even those who had initially refused to become a part of the corrupt machine to join for lack of viable alternatives.

Main variables, mechanism and hypotheses

In this article we purport to evaluate the impact of democracy and political support (measured through composite indexes based on judgments submitted by both experts and ordinary citizens), on perceptions of corruption, as recorded between 2005 and 2010 in 18 Latin American countries. We submit that Latin America is especially suited to study corruption, since wealthy kleptocrats, political scandals, public outcries against corrupt leaders, and patrimonialism have long characterized the area (Morris, 2004). To this end, we applied a multilevel logistic regression analysis controlling for a series of important economic and social co-determinants of citizens’ perception of corruption.

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3 The countries considered are: Argentina, Bolivia, Brazil, Chile, Columbia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.
Our dependent variable is corruption in state institutions, measured as the subjective evaluation of changes in corrupt practices in state institutions.\(^4\) The concept of corruption is controversial, both conceptually and operationally, and has received much attention in social science literature. While corrupt practices are always defined in terms of improper behavior by public officials, the definition of what should be considered ‘improper’ is controversial and culture-laden. Two main suggestions have been offered in this respect: improper behavior may be identified by referring to public opinion (Gibbons, 1989: 169) or to specific legal-rational frameworks (Williams, 1987: 15).\(^5\) We resolved to define corruption as an improper use of public office in exchange for private gain. This definition is based on three core dimensions: a distinction between the private and public sphere; the recognition that corrupt acts are based on an exchange; and finally that such exchanges are improper, in that they violate established norms, as recognized by public opinion survey respondents. In short, corruption is behavior by public officials that deviates from norms actually prevalent or believed to prevail; or from accepted norms, including political norms (Sandholtz and Koetzle, 2000: 35). Thus, corruption involves elected officials and appointed bureaucrats, who misuse their power and authority for private gain. Since these actions take place at the expense of the community, they violate the norms that regulate public office. Our operationalization of corruption, in addition, is based on a subjective measure (public perceptions of corruption) that has regularly been used in international research as a proxy measure of political corruption (Morris and Klesner, 2010: 1264).

The aggregate experts’ based indicators of democracy are the level and duration of democracy, and the interaction effects between these dimensions.\(^6\) The former variable may be thought as delineating the political structure of opportunities and incentives surrounding the choice to engage in corruption, and the pattern of inducements and penalties that are set by the legal system and by bureaucratic organizations in relation to corrupt behavior. Democratic duration, on the other hand, may be thought as a proxy for consolidation of both political institutions and political culture, that is the attitudes, beliefs, and values which underpin the operation of a particular political system. These include knowledge and skills; positive and negative emotional feelings; and evaluative judgments about the operation of the political system. Political culture orientates action and it may be more or less permissive towards corruption. These orientations, in turn, require a process of socialization that may require extended periods of time (Ekstein, 1988). We use two indicators of democratic endurance: democratic duration and democratic history. The first indicator measures the most recent uninterrupted democratic experience; while the second capture the overall unfolding of democratic experience since 1900, irrespective of authoritarian interludes.

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\(^4\) Our dichotomous dependent variable is based on the answers to the following question: “How much do you think there has been progress in reducing corruption in state institutions over the past 2 years?”. The original variable admits 4 answers, from “nothing” to “very”. We aggregated the answers, so that 0 stands for “nothing” and “a little” and 1 for “something” and “very”. See: http://www.latinobarometro.org/latContents.jsp.

\(^5\) Doubts, however, persist: how do we identify “the relevant” public opinion? Is it the political elite or the population at large? In addition, opinion changes both in time and across countries and regions. A similar criticism applies to the second approach: laws change over time and territories and may also be manipulated by powerful interested actors. In addition, the law, as enforced, may differ from the written text and from the moral sense prevailing in a community (Nooan, 1984).

\(^6\) Our indicators of democracy are based on the Polity IV dataset (Polity IV, 2012). Political performance scores run from -10 (full autocracy) to + 10 (full democracy). We consider democratic those political regimes that receive a score higher than 5.
Both indicators have been widely used for measuring the duration of the democratic experience. In addition, we hypothesize that the impact of democratic time on corruption may be linear or curvilinear: in the first case, the longer the democratic experience, recent or historical, the more likely will be citizens to perceive progress in reducing national corruption levels. In the second, citizens are more likely to perceive a progress in fighting corruption both in authoritarian settings and more consolidated democracies, but will be less likely to do so in newly democratized regimes.

The individual indicators of support for democracy are satisfaction for the ways democracy works;¹ and evaluations of government fairness.² As said, at a general level, these variables express citizens’ attitudes towards a universalistic ethos and cooperative behavior or their preference for an instrumental and individualistic approach to problems and opportunities and, as a consequence, their more or less permissive stance towards corruption among public officials. More particularly, they signify the extent to which the government and the public administration are perceived to be efficient and transparent, thus reducing both opportunities and rewards for corrupt behavior on the part of politicians and civil service personnel.

We submit the following hypotheses concerning the role of our main independent variables, whose mechanisms we briefly discussed above:

H1: as satisfaction for the way democracy works grows, citizens are more likely to perceive progress in reducing national corruption levels; +

H2: as the expectations of government fairness and impartiality are confirmed, citizens are more likely to perceive progress in reducing national corruption levels; +

H3: as the level of democracy grows, citizens will be more likely to perceive progress in reducing national corruption levels (linear and quadratic relation). +

H4: the longer the recent democratic experience, the more likely will be citizens to perceive progress in reducing national corruption levels (linear and quadratic relation). +

H5: the longer the overall democratic history of a country, the more likely are citizens to perceive progress in reducing national corruption levels (linear and quadratic relation). +

H6a: as the level of democracy grows, along with duration of democracy, citizens will be more likely to perceive progress in reducing national corruption levels. +

H6b as the level of democracy grows, along with democratic history, citizens will be more likely to perceive progress in reducing national corruption levels. +

¹ This dichotomous variable is based on the answers to the following question: “In general, would you say that you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the way democracy works in (country)?” In this variable 0 stands for “not very satisfied” and “not at all satisfied”; while 1 stands for “very satisfied” and “fairly satisfied”. See: http://www.latinobarometro.org/latContents.jsp. We claim that ‘satisfaction with the way democracy works’ is not an indicator of system legitimacy but rather of support for the performance of a democratic regime in practice (Linde and Ekman, 2003; Bellucci and Memoli, 2012). In this sense, it represents the more specific support for regime performance or ‘system outputs’, be they economic, political and social. We also believe that this variable taps system support rather than support for authorities since SWD includes no mention of political leaders, parties, or policies (Fuchs, Guidorossi, and Svensson 1995; Lockerbie 1993). In this sense, Lockerbie (1993: 282) argues that SWD “clearly asks the respondents to evaluate the political regime rather than particular individuals or party(ies) holding power.”

² This dichotomous variable is based on the answers to the following question: “Generally speaking, would you say that (country) is governed for a few powerful groups in their own interest? Or is it governed for the good of all?” See: http://www.latinobarometro.org/latContents.jsp
We have also added a series of controls, both economic and social. The economic control variables are GDP levels;\(^9\) and a measure of economic inequality.\(^{10}\) Social control variables are knowledge about corruption acts\(^{11}\); an aggregate measure of corruption;\(^{12}\) and size of town, a proxy for urbanization levels.\(^{13}\)

A developed economy should have a positive effect on perceived change in corruption. Dealing with individual level data, we believe that respondents see economic conditions as a dimension of government performance and accordingly express their levels of satisfaction or disapproval: better economic conditions should be linked to a better evaluation of the government and its performance and consequently to lower perceived corruption levels (Weyland, 1998). Many empirical studies report a strong correlation between GDP per capita and corruption: a stronger economy and better public wages reduce the need for bribes in state institutions, while poorer countries also lack the resources to effectively fight corruption (see for instance Treisman, 2000: 430 and Graf Lambsdorff, 2005 for a review of findings).\(^{14}\) Also, stronger inequality should also impact perceptions of changes in corruption: more unequal societies are more likely to perceive no or little progress in fighting corruption. You and Khagram (2005), for instance, argue that the poor are not able to monitor appropriately the rich and the potent and hold them liable, allowing them to abuse their privileged position.\(^{15}\)

Turning to social controls, we believe that more knowledge about corruption acts should lead to a negative outlook on corruption, since the more intense one’s personal experience with corrupt acts, the more pessimistic the evaluation over the progress in fighting corruption is likely to be. We also introduce an aggregate measure of corruption and hypothesize that this variable is positively related to our individual dependent variable, perceptions of corruption: since both measure the same phenomenon, they should move in the same direction. Finally, size of town is used as a proxy for urbanization. In larger cities corruption is more widespread, since the scale of economic activities is larger and more varied in scope, and contact with government officials more common. Also government officials are less personal, reducing the opportunity cost of bribing. A negative association is in fact observed in studies dealing with urbanization and perceived corruption (for instance, Dong 2011: 54).

As a consequence, our hypotheses regarding control factors are:

H7: as GDP levels grow, citizens are more likely to perceive progress in reducing national corruption levels; +

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\(^{10}\) Gini Index (World Governance Indicators of the World Bank. See http://data.worldbank.org/).

\(^{11}\) This variable is based on the answers to the following question: “Have you heard, or any relative of yours has heard of any act of corruption in the last twelve months?” See: http://www.latinobarometro.org/latContents.jsp


\(^{13}\) Inhabitants from 5,000 to Capital of country. See: http://www.latinobarometro.org/latContents.jsp

\(^{14}\) There is, however, equal agreement that no unambiguous causality can be derived from this finding. For a discussion see Graf Lambsdorff (2005: 8).

\(^{15}\) In the same vein, see also Husted (1999: 342-3) and Swamy et al. (2001). In this case, as with GDP, the direction of causality is dubious. Corruption increases inequality and inequality escalates corruption: thus many authors conclude that societies can fall into vicious circles of strengthening inequality and corruption (You and Khagram, 2005).
H8: as inequality grows, citizens are more likely to perceive no or little progress in reducing national corruption levels;

H9: as the knowledge about corruption acts grows, citizens are more likely to perceive no or little progress in reducing national corruption levels;

H10: as corruption grows, when measured in an aggregate way, citizens are more likely to perceive no or little progress in reducing national corruption levels; \(^{16}\)

H11: as the size of town gets bigger, citizens are more likely to perceive no or little progress in reducing national corruption levels;

Discussion and Findings

We carry out our empirical analysis through a logistic regression model on an unbalanced panel dataset. The random effects approach (RE) is widely used with panel data in which \(N\) is larger than \(T\) and with multilevel data (Steenbergen and Jones, 2002). A fixed effects model would require that we omit from the analysis some important explanatory variables – namely, the Gini index – since it is time-invariant, i.e. constant within units. It would thus prevent us from estimating the role of important factors (Greene 2004). In addition, since the number of countries (18) is greater than the number of time points (6 years), a random effects model is expected to be more efficient than a fixed effects model, as it has \(N\) more degrees of freedom, while also using information from the between-unit estimator (which averages the time-series observations of each unit to investigate differences across units).\(^{17}\)

First, we regressed our individual indicators of satisfaction with democracy on corruption perceptions and found significant \((p > 0.001)\) and positive causal links (see tab. 1, model 1). In short, citizens that are satisfied with democracy (satisfaction both with democracy; and with government fairness and impartiality) are more likely to detect a progress in reducing past corruption, when compared to citizens who are not satisfied. More particularly, satisfaction with government impartiality appears especially important in this respect followed closely by satisfaction with the way democracy works. While a positive democratic performance (satisfaction with the way democracy works) induces citizens to detect a progress in the reduction of corruption levels, the impartiality through which these objectives are reached (satisfaction with the impartiality of government) proves even more important. In this, view, trust or high expectations regarding the impartiality of governments’ dealings with citizens discourage corruption, since people feel they do have a fair chance to participate in unbiased and transparent administrative procedures (for instance, to obtain a certificate or permit) and that they are not penalized for not belonging to the ‘right’ power group, for having the ‘wrong’ political preference and/or for lacking other specific dimensions which are demanded to receive full satisfaction of their petitions.

\(\text{TAB. 1 HERE}\)

\(^{16}\) However, since a higher aggregate measure of corruption means less corruption, the expected statistical sign of the correlation is positive.

\(^{17}\) We faced some difficulties to assemble a satisfactory cross-national time-series dataset. First, for every single country-year, we needed measures for both our dependent as well as all our independent variables. Second, each time-series had to be both long enough and about the same length. We were only partly able to satisfy these criteria. These limitations notwithstanding, the resulting dataset, which covers 18 Latin American countries from 2005 to 2010, is the largest employed up to now for similar studies in this region (more than 73,000 observations).
We then regressed our experts’ evaluated indicators of democracy on corruption perceptions and found very significant and positive causal links (see tab. 1 model 2). Higher levels of democracy appear to reduce corruption: the pursuing of re-election by politicians and the related provision of public goods, on the one hand, and the monitoring instruments that make corruption more easily detectable and politically unworthy, on the other, have seemingly acted as powerful institutional dimensions in the curbing of corrupt practices. However, the squared value suggests that while authoritarian regimes and more complete democracies show lower levels of perceived corruption, these tend to be higher in less complete democratic regimes. In fact, under authoritarian systems corrupt practices might be more effectively curbed through repression or they may be exercised by a smaller number of very powerful political actors, whose acts escape public scrutiny and are more difficult to expose to the public. Under stronger democracies, on the other hand, a similar result is due to the combined effect of both a more robust political culture, critical of corruption, and of stronger and more efficient democratic institutions, especially a more efficient electoral retribution for corrupt politicians in the form of non-reelection (Pellegata, 2013).

Democratic duration measures are also significant: the most recent uninterrupted experience with democracy is associated to lower corruption levels, while the overall history of democracy since 1900, contrary to expectations, has a negative impact on the dependent variable. Our findings suggest that in the first case a progressive consolidation of democratic institutions and practices seems to take hold. Our point is that a relatively long and uninterrupted association with democratic institutions and practices aids political systems to limit corruption by assisting the restoration of free and fair political elections and the rule of law and by allowing a distinctively democratic ethos to mature and get stronger. When such ethos prevails, corrupt practices are seen as particularly pernicious and destructive for the collective well-being of the polity and a universalist and more cooperative behavior emerges as the distinctive character of a democratic political culture which is based on an underlying sentiment that informs the beliefs, customs, and practices of its citizens.

The effect of democratic history is opposite: when the democratic stock is relatively high, democracy unfolds negative effects over corruption. This puzzling result may be explained by the workings of ‘desencanto’ (disillusion). We submit that, as the stock of democracy increases while corruption persists, a feeling of disillusion and disappointment progressively builds up and transforms into a negative evaluation over the progress of corruption, due also to an understanding that incentives to combat this problem may not exist or are ineffective. The persistence of corruption in contemporary democratic regimes, and its deleterious consequences, are nicely illustrated by the words of distinguished Latin American writer (and political analyst) Mario Vargas Llosa: “Esta realidad democrática no sólo no es el paraíso sino que puede llegar a ser el infierno. Hay corrupción, falta de transparencia, de vitalidad de las democracias, y eso lleva a los jóvenes a volcarse en la indiferencia y el desprecio por lo social y lo político; me parece muy grave. Es una realidad de nuestro tiempo” (El Pais, June 22nd 2014). However, whenever levels of democracy increase while democratic stock is high, citizens appear to perceive again a progress in reducing perceived corruption.

18 Our democratic experience not only is far from perfect, it can become hell. There is corruption, lack of transparency and democratic vigor. This induces the youth to fall back on apathy and contempt for politics and social issues; I believe this is very negative. It is a reality of our times (authors’ translation).
These findings are confirmed in model 3. We inserted here both individual and aggregate explicative variables, and found that democracy has a positive impact on corruption on both levels, as all the signs are maintained and significance is upheld or grows stronger for all variables. As for interaction terms, when the levels and duration of democracy (the last uninterrupted democratic experience) are both increasing, the probability that citizens would detect a progress in reducing past corruption is positive, perhaps due to a democratic consolidation effect. However, the opposite holds when we observe the interaction between democratic levels and democratic history, as discussed above.

Our fourth and final regression adds the control factors: only three of these latter show statistical significance, namely the two corruption variables and urbanization, while both GDP per capita and the Gini index turn out to be insignificant. Thus, in Latin America, both democratic institutions and support for democracy unfold their effects as illustrated, irrespective of GDP levels and inequality.19 As for our main variables, all results regarding support for democracy are confirmed, while democracy variables are significantly weakened. Democratic level apparently has a positive effect on the dependent variable, while the duration and history of democracy produce negative effects on it, for the reasons outlined above. It is worth mentioning the strong negative relationship with perceptions of corruption displayed by knowledge about corrupt acts and the positive ones relating to the objective measurement of corruption. As expected, those who have more direct or indirect knowledge of corrupt acts have a lower probability to detect a progress in the reduction of past corruption, as their experience reinforces the belief that corruption is thriving. In a similar vein, the higher is the aggregate measure of government effectiveness, the more likely are citizens to detect progress in fighting state corruption. The urbanization variable, in conclusion, suggests that corruption thrives in larger cities.

More accurate readings of these relations found in model 4 are provided by the specific analysis of their interactions. The analysis of the level of democracy, in its quadratic form (Graph. 1) suggests that no significant statistical effects may be discerned over time. The impact of democratic history on corruption levels, on the other hand (Graph 2), is negatively significant only after a period of 23 years have elapsed (level 4 on the graph). Thus, a minimum of ‘democratic stock’ has to accumulate for any effect on corruption to become appreciable.

Graph 3 illustrates the interaction term between level of democracy and the most recent uninterrupted democratic experience. As the graph indicates, the marginal impact of the level of democracy on corruption is negative in the first 5 years of democratic regime (level 2 on the graphic), although decreasing in intensity, while beyond this point in time it turns insignificant. However, after 25 years of democratic rule, the impact turns positive: this indicates that during the most recent democratic experience, irrespective of democratic history and levels of democracy, citizen’s perceptions of the gains against corruption turns positive as time passes. This finding suggests that in this case a progressive consolidation of democratic institutions and practices are taking place, by assisting the strengthening of free and fair political elections and the rule of law and by allowing a distinctively democratic ethos to develop and get stronger. When such ethos prevails, corrupt practices are seen as particularly pernicious and destructive for the collective well-being of the polity and a universalist and more cooperative

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19 The insignificance of wealth levels may be due to the presence of an urbanization variable, which is an alternative indicator of the same concept.
behavior emerges as the distinctive character of a democratic political culture which is based on an underlying sentiment that informs the beliefs, customs, and practices of its citizens.

Graph 4 depicts the interaction between level of democracy and democratic history on corruption is positive (but decreasing in intensity) up to a point, more precisely up to 23 years (level 4 on the graph). Only after 48 years of democratic history (level 9 on the graph) the effect on perceptions of corruption will be negative. We have suggested above that the continued persistence of corrupt behaviors and practices, even pervasive corruption, in relatively mature and long-term democracies ends up undermining citizens perceptions of the past gains against corruption and shape their expectations that democracy may, in fact, not be able to solve or put under control the problem in any satisfactory way. It is well known that corruption has a strong tendency to persist, due to factors as traditional values which conflict with the requirements of a secular way of life, such as nepotism; weak civil societies and the requirements for building viable political institutions in societies where crucial social and political actors may disrupt such attempts or the fact that when corruption is widespread, individuals do not have incentives to fight it even if everybody would be better off without it (Mishra, 2006; Jenkins 2007; Mauro 2004).

Conclusions

The impact of democracy on corruption levels is complex and multifaceted. While the effects of democratic levels are not immediately apparent, we observe that both support for democracy and democratic duration play a significant role. Satisfaction for the way democracy works and with the impartiality of government appears to be positively related to the appreciation of gains in the struggle with corruption. Where the efficiency and impartiality of the public institutions are dubious, citizens are encouraged to engage with corrupt politicians and public administrators to extract private gains, such as profits; reduced waiting time and the obstructing of additional competing corruptors. Also, during the last decades, the consolidation of local democratic institutions and practices triggered a better appreciation of the results obtained by the struggle against corruption levels in the area. However, the persistence of the problem of corruption despite the transformation of the political regime has also occasioned the emergence of a negative attitude towards the progress in fighting corruption, since both the incentives to do so have turned apparently weaker and the expectations in the capacity of the democratic system to gain this struggle have significantly dwindled.

A major implication for future research is the need to deepen the study of support for democracy, as a specific determinant of corruption levels: the attitudes of citizens towards corruption are shaped crucially by their appreciation of the efficiency and impartiality of the political system. Whenever these dimensions are wanting, strong incentives materialize for them to join the corrupt system. Also the impact of democratic time on the control of corruption appears as more nuanced than anticipated. While the consolidation of democracy may act as an instrument to combat corruption, the persistence of corrupt practices under democracy may in fact lead to a strengthening of the perceptions that corrupt behavior and practices are on the rise. References


Greene 2004


Latinobarometro (201?), at http://www.latinobarometro.org/latOnline.jsp


Steenbergen and Jones, 2002
World Bank (201x), World Governance Indicators, available at: http://info.worldbank.org/governance/wgi
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Note: ****p<0.001; ***p<0.01; **p<0.05; * p<0.10.
Source: Latinobarometer (2005-2010); World Bank (2005-2010); Polity IV.
Graf. 1 Democracy Level*Democracy Level
Reference to Table 1, Column 4

Predictive margins with 90% confidence interval
Graf. 2 History of Democracy* History of Democracy
Reference to Table 1, Column 4.

Predictive margins with 95% confidence interval
Graf. 3 Democracy Level\(^*\) Duration of Democracy
Reference to Table 1, Column 4

Predictive margins with 95% confidence interval
Graf. 4 Democracy Level* History of Democracy
Reference to Table 1, Column 4

Predictive margins with 95% confidence interval

history of democracy