Corruption, Anti-Corruption, and Political Competition

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Abstract

Though previous research makes clear the costs of corruption, the literature is much less sure of both its causes and the most effective ways to fight it. In this paper I examine existing efforts to explain corruption, discuss their weaknesses, and pose the beginnings of a theory of ‘clean government’, a regime stuck in a low-corruption equilibrium. This theory builds on existing work in political science and economics, and focuses on the role of various aspects of political competition in ‘cleaning up’ and exacerbating corruption by politicians and bureaucrats.

This paper is a preliminary exercise for a larger, potentially dissertation-sized project, that asks: under what political-institutional conditions do anti-corruption reforms effort succeed? \(^1\)

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1 Introduction and Motivation

Few people could disagree that corruption is separable from the grit of everyday politics. Yet most of the literature on the causes of corruption settles theoretically, and thus empirically, at the level of broad institutional variables such as federalism, the nature of legal systems, Protestant traditions, aggregate levels of economic development, and so on. At the micro-level, most corruption research is built off adaptations of Becker’s (1968) ‘costs and benefits of crime’ model, in which the probability of being caught and the size of the penalty drive individual behavior. The most thorough of the integrative efforts, such as Treisman (2000), have considered how these costs and benefits wash against each other across countries and time, but have relied for their measures of corruption on flawed perception indices. I discuss these issues in greater detail below, but suffice to say that the literature has more ideas about what causes corruption than it has solid evidence to support these claims.

At the same time, the fight against corruption is a top priority for many organizations, and is very big business. From 1990-2005, the United States spent about $8.5 billion on ‘democracy assistance’ worldwide, and in FY2007 alone dedicated $335 million toward good governance and anti-corruption assistance on the global level. After decades of focus on promoting particular economic reforms with mixed success, the World Bank and its researchers discovered the elephant in their midst responsible for gumming up the works: corruption stemming from poor governance. If political institutions were improved, somehow, then politicians would be forced to faithfully implement, rather than undermine, reform initiatives (Knack and Keefer, 1995). Unfortunately, despite what the current research shows about the institutional causes of corruption, much of the policy-focused literature has an inordinate technocratic focus, which sends the message: ‘get better people and you will get better outcomes’. This ignorance of the political context in which opportunities for corruption arise and are taken up seems at best foolish, and at worst dangerous.

A brief and depressing detour is apt here. From December 2007 to May 2010, the UN Office on Drugs and Crime spent just over US$300,000 of United Nations Democracy Fund money on a
project titled “Creating Demand for Accountability in Kyrgyzstan through the General Prosecutor’s office”. The aim of the project was no less than to break Kyrgyzstan’s corruption-induced deadlock by placing an anti-corruption mentor in the General Prosecutor’s Office (GPO), one of several state institutions responsible for attacking corruption. This mentor would advise staff on how to develop anti-corruption strategies, implement anti-corruption training, develop public education programs, and so the nature of this assistance was technical. Unfortunately, according to an independent review of the project, “the GPO is widely considered to be part of the problem of corruption in Kyrgyzstan, and trust in the institution is extremely low.” Furthermore, the project “operated against the background of a lack of serious political will and commitment by the Kyrgyz authorities to tackle corruption in Kyrgyzstan.” The rest of the report identifies a comedy of errors: the GPO was not even the initial target of the project, but was made so at the last minute, and against its own objections, because the money needed to be allocated to a Kyrgyz project; the series of anti-corruption experts the project attempted to hire were too busy to be committed to the project; the concrete end result is essentially a partial translation of a South Korean anti-corruption manual, which is not even being used by the GPO. ²

This is not an isolated incident. A glance through the files of any anti-corruption NGO is enough to convince one of the difficult task these organizations face, and the futility of many of their tactics. They are fighting something innate to politics and highly sensitive to political context, without a solid understanding of the initial causes of corruption, which surely must be important in fighting it effectively. In these reports, a concept regularly credited with causing both success, by its presence, and failure, by its absence, is political will. A Google search for ‘corruption political will’ yields pages and pages of opinion pieces from commentators and NGOs. One organization, lists ‘lack of political commitment’ as the most commonly cited explanation for why independent anti-corruption commissions fail, and notes the very limited success of these efforts despite their considerable funding (Williams and Doig, 2007). The same organization has commissioned work

on exactly what is political will, and the author arrives at the following: “the commitment of actors to undertake actions to achieve a set of objectives in this instance, reduced corruption and to sustain the costs of those actions over time” (Brinkerhoff, 2010).

It is heartening that some practitioners in the fight against corruption recognize something that has recently caught the attention of social scientists seeking to understand the phenomenon: the notion of corruption equilibria (Svensson, 2005; Rose-Ackerman, 2008). This simply implies that high-corruption regimes tend to remain stuck there, because if all those with the power to clean up corruption are themselves corrupt, nothing will change. Unfortunately for empirical researchers, there are relatively few examples of successful (ie lasting) transitions from the high-corruption to low-corruption state at the behest of concerted and specific anti-corruption efforts. Most low-corruption regimes were not shocked into that state, but rather that the transition was slow, and intersected with other processes of political development, including the development of democracy and party politics. Given this paucity of cases, and the consequent reliance in the cross-national corruption research on across-country rather than across-time variation, we cannot recommend reforms based on what current most-supported explanations say are the causes of corruption. In short, it is probably not feasible to acquire the beneficial institutional leftovers of British colonial rule, or encourage Protestant missionary activity, or scrap federalism. There is an extra knot to the puzzle too, in that the few effective cases of rapid transition between corruption equilibria are in authoritarian regimes, such as Singapore and Hong Kong. This is troubling indeed for those who say that the extension of democracy and the eradication of corruption must go hand in hand. It also suggests that a good explanation of this phenomenon needs to be general enough to apply to authoritarian as well as democratic regimes.

Political scientists are trained to understand and explain political will, and if this is both a necessary and sufficient condition for anti-corruption efforts to work, I believe a comprehensive, micro-founded explanation of which kinds of politics make corruption reform efforts succeed and fail is a worthwhile pursuit. As it turns out, many of the answers are already in the literature, waiting to be applied to this problem.
In the remainder of this paper, I briefly summarize the extant literature on the causes and costs of corruption, discuss definitional issues in the study of corruption, and try to put efforts to fight corruption in to rich political context. From this last step I hope to develop a general explanation of the conditions under which different tactics and reforms are more or less likely to work. This explanation must start with a clear parsing of the different phenomena that contribute to different corruption equilibria, and then use standard political economy frameworks to bring clarity to this debate, by clarifying the economic and political incentives for bureaucrats and politicians to engage in or stamp out rent-seeking by each other. Once we characterize these incentives, we will have a clearer idea of what kinds of reforms will likely have their intended effects.

2 Causes and costs of corruption

There is comparatively little discussion in the public choice and economics literature on exactly what causes corruption at the micro-level, beyond the very existence of government monopolies over the provision of some products in demand by consumers and firms. Once corruption is defined in this way, as a decision by an official whether to charge a bribe for a license or permit, for example, most models then build off Becker (1968) to characterize the decision of that official in terms of reward vs potential punishment. This shortcut is nicely summed up by Rose-Ackerman (2008): “Some economists observe money changing hands and assume that something efficient must be occurring. Some public-choice scholars who favor a minimal state and who view most state actions as illegitimate exercises of power, interpret bribes as a desirable way to avoid the exercise of government power.” The former, then, take corruption as a natural consequence of markets under regulation, while for the latter the state is at least as corrupt as those trying to avoid its influence. Even those who formally explore the causes of corruption (Ades and Di Tella, 1999) very quickly reach for workhorse models of compensation and taxation and through these, locate the causes of corruption in particular features of the market for bribes. Causes flow from basic assumptions in every field, not just economics, but the corruption literature in economics
seems especially beset. As I elaborate further below, decision-theoretic models of officials’ cost-benefit analysis when facing the bribes market ignore salient features of the political world that encapsulates this market.

Despite this reluctance to get to the various deep micro-level causes of corruption, we do know some of the broad institutional variables that are associated with higher levels of corruption. This research has been primarily driven by large-n, cross-national studies in which several possible causes are entered on the right-hand side of an estimated equation, with various corruption measures on the left (Treisman, 2000). Treisman’s key findings are that states with protestant backgrounds, colonial rule by the British, and higher levels of economic development are less corrupt, whereas federal states were more corrupt. His particular dependent variable was Transparency International’s corruption perceptions index. Interestingly, longer exposure to democracy was associated with lower corruption scores, even though current levels of democracy on common indices were not statistically significant, indicating perhaps that low corruption emerges only after significant exposure of state administration to electoral contestation. While it is useful to know the long-term correlates of corruption, it is very difficult in this kind of macro-level analysis to tease out causal and sequencing arguments; in particular the over-whelming effects of history (through Protestant influences and/or British-imparted institutions) may mask intricate lower-level causal processes that relate to the interactions of political and bureaucratic actors more recently. Though these interactions might be powerfully affected by institutions bequeathed decades or centuries ago, these institutions evolve differently depending on other contextual features, and we cannot assume that the effects of being a British colony are constant over time.

In their study, Kunicová and Rose-Ackerman (2005) focus on electoral systems, and find support for their argument that closed-list PR makes it difficult for voters and opposition parties to monitor and supress corrupt rent-seeking by politicians, an effect which is exacerbated under presidentialism where deals between party leaders and the president are subject to lower transaction costs. Overall then, the literature has settled on the macro-level variables named above as exacerbating or reducing levels of corruption. This begs two related questions: why is there still
corruption even in formerly-British-ruled, Protestant, wealthy, non-federal states without closed-list PR or presidentialism \(^3\), and therefore, what micro-level causes might we be missing, beyond ‘there exists government’, which are not captured by these macro-level variables. I take up these question in greater detail, and suggest that the interaction between bureaucrats and politicians might be a good place to look.

Though we may not have yet well identified the causes of corruption, there is an embarrassing wealth of models in economics about the effects of corruption on growth (Ventelou, 2002; Mohtadi, 2003; Ehrlich and Lui, 1999), and on a number of other important political-economic outcomes (public goods provision, economic growth, foreign direct investment, citizen confidence in government, protection of property rights), and these results have been well established empirically by the literature in economics and political science (Mauro, 1995; Shleifer and Vishny, 1993; Treisman, 2000). This focus on establishing the consequences of corruption, perhaps at the expense of establishing its causes, probably arises from the fact that a vocal minority in the corruption literature has long argued for the so-called beneficial effects of corruption. Older explanations, including those Huntington and La Palombra in the 1960s, even saw corruption as a ‘necessary grease’ to get the wheels of state moving, though the preponderance of evidence now seems against those general arguments. More recent literature has refined this argument, pointing out that even if corruption is bad for aggregate growth, it can be great for some economic actors, especially those whom it helps to consummate transactions and procure licenses in the face of over-burdensome regulation (Wei and Kaufmann, 2000; M´eon and Weill, 2010). Taken together, the two branches of this vocal minority provides an explanation for why a high level of corruption remains in many polities around the world despite best efforts by domestic and international actors to prevent it; it is an equilibrium outcome for those actors with the power to make reforms and monitor their outcomes adequately, ie politicians and higher-level bureaucrats.

\(^3\)This is not an empty set! It contains New Zealand and possibly Canada at various times. Perhaps unfortunately for my argument, New Zealand does very well in corruption rankings, but as a former bureaucrat I know there must be dodgy stuff going on somewhere.
3 So what is corruption, anyway?

Recently, I have been wrestling with my use of the word ‘corruption’, and the ubiquity of this term in the literature. Ackerman’s classic definition of corruption as ‘misuse of public office for private gain’, though intuitively appealing, is really little help in theoretical terms for the kind of argument I wish to make (Rose-Ackerman, 2008). Going beyond the standard complaint that what constitutes ‘misuse’ varies significantly by context, the bigger danger in using the broad term ‘corruption’ is that it is typically understood to cover a range of distinct mechanisms, such as plain theft, patronage and clientelism. Although these might all be similarly distasteful to outside observers, what causes each is quite a different underlying causal mechanism. In developed democracies, patronage (bureaucratic jobs only for union members in New Jersey) and clientelism (‘guaranteed votes’ for a party on the basis of its support for an interest group’s policy) may both occur without us wishing to label these systems corrupt in the sense commonly understood. And so, given the context-dependent nature of many possible definitions, corruption research in political science has settled on what Elster (2007) calls ‘harmless shorthand’ or ‘second-best approach’, namely ‘at least we can explain some variance between countries’, even if we really don’t have a thorough understanding of the phenomenon in and of itself. The high-profile measures of corruption handily reinforce this social-scientific paralysis.  

This reflects a wider reluctance in the literature to recognize rent-seeking by bureaucrats and politicians as ‘part of the game’ in every society. Authors often artifically call much the same phenomena in developed democracies ‘lobbying’, whereas in young democracies, the same is termed ‘trading in influence’. Similarly, democratic politics are supposed by many authors to be all about who can make the most efficient proposal for public goods provision, whereas in less-than-democratic politics these resources are redirected to narrow groups to buy votes. This distinction only hinders our ability to understand what is really going on; simply put, voters probably do not vote on public goods programs. A long line of economic theory has told us that public goods

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4Wording is a bit strong here, but I hope you get my point.
are produced almost accidentally, as a by-product of the actions of public and private actors. Some programs implemented by governments do come very close to being pure public goods (such as truly universal and truly universally accessible primary education), but the conceptual drift towards identifying as a public good anything many people benefit from has helped create this false partitioning of the politics of influence in different types of societies. Roads benefit only drivers directly; it is the increased commerce and decreased prices that are the public good component of this spending. Pure public goods, and the club goods that create public goods as a secondary outcome, are provided by a government when its only option to please supporters is to also please non-supporters. Simply put, in most political-economy frameworks, votes are always exchanged for something material; we simply don’t have models (nor should we) in which people exchange their votes for goods for everybody else. This fundamental error is made by Kitschelt and Wilkinson (2007) when they say some votes are contingent deals, and others (esp those for ‘programmatic parties’) are not contingent. Is it fair to characterize India’s Congress Party as the ‘good’ kind of party, the programmatic party? For decades after independence, it subsumed class and regional conflict under its banner, and huge economic and ethnic blocks were its clients, even if they received little for their vote. We should not assume that all parties in robustly-democratic states will naturally refrain from seeking all kinds of rents, as this is one basis for all politics; what is important is that some opportunities are too risky in some societies, and not in others (that corruption scandals still pop up in the ‘cleanest’ of countries time to time should disabuse us of the notion that some cultures are immune).

Some of these problems of democratic bias are clearly seen in Transparency International measures, as documented by Olken (2009). Respondents see a range of behavior and group it together as ‘corruption’ in responses on this survey, and very likely previous rankings strongly condition current assessments. Experiential measures of the number of bribes requested by officials can avoid this problem, but these do not distinguish between bureaucrats and politicians, and these measures miss all corrupt activity that isn’t bribery. On the other hand, if we veer all the way to a legalistic definition of corruption as ‘any rule-breaking by elected or unelected public
officials’, in pursuit of some concrete standard, we confront similar problems. At this extreme we can’t hope to accurately measure law-breaking because levels of monitoring and punishment are endogenous to the choice to engage in corrupt activity. This has led me towards the term *political and bureaucratic rent-seeking*, defined as the utility loss to society from the sub-optimal performance of bureaucracies and politicians, whether by patronage, clientelism or theft. I used *corruption* above because it more clearly motivates the need for this research, but I really don’t know which is better and ‘sub-optimal’ is probably just as difficult to get a handle on as ‘misuse’ (HELP!).

To summarize the previous rant: because corruption is made up of many things, the fight against corruption is not the same fight in every state, or even within the same state. Even though we might intuitively perceive the lop-sided distribution of government jobs to clan members in Benin, and the payment of kickbacks to NASA subcontractors in Florida as similarly distasteful, these observations were not generated by the same process.

In such a definitional morass, one way to move forward is to try and come up with a new, authoritative definition of corruption that pleases everybody. But giving the sliding scale of offenses described above, it seems unlikely such a definition is possible. Another tactic is to try and rigorously define each of the constitutive phenomena commonly bundled under the corruption label, and try to observe these in the real world. I don’t hold out much more hope of neatly separating these things empirically than I do of accurately observing some generalized level of corruption through surveys. This leaves us with another tactic up our sleeves, however: if we can define these constitutive phenomena, and describe how they change the incentives of relevant actors, then we could derive other testable implications that might be more readily observable. Testing theories of corruption by trying to measure something that is done best when done under the radar seems bound to fail from the start.
3.1 Disaggregating ‘corruption’

In this section, I examine each of the constituitive phenomena often lumped together under ‘corruption’. My intention is not to give an exhaustive treatment, but enough of a definition so as to distinguish each from the rest. **This section is woefully inadequate! In a future version of the paper I hope to use a toy model with a range of parameters to more clearly distinguish between these different behaviors. In a double-future version I might want the values of these parameters capturing the constituitive phenomena to collectively represent the corruption equilibria. But that is all in the distant future, so for now I just briefly sketch out some of the differences.**

3.1.1 ‘Plain theft’/embezzlement/kleptocracy

This is the most direct and obvious form of ‘misuse of public office for private gain’, and involves politicians and bureaucrats shepherding or shovelling state funds directly into their pockets, where it is intended to stay. This distinguishes it from all forms of patronage, which would imply redistribution of these assets in order to shore up a support coalition. A government engaging in only this kind of rent-seeking is clearly aimed at maximal extraction. I should note that Rose-Ackeman does go to pains to point out, when using her definition in empirical work, that it does not include plain theft, nor even patronage and clientelism (which she tends to group as ‘pork-barrel politics’).

3.1.2 Patronage

Patronage involves the narrow targeting of goods provided by elected or unelected officials in order to shore up a support coalition, whether large or small. The direction of these targeted goods (which in certain contexts could even include things like roads) is at the discretion of the politician, but she might need to rely on bureaucrats to deliver this material wealth to crucial supporters, be they elites with credible threats to support a challenger in an autocratic regime, or voters in swing districts.
In my framework, nepotism and cronyism fall under patronage as special cases, in which the support coalition is overlapping with a family or social network respectively. Regardless, the key distinguishing feature of patronage is that it aims to build political support with some important group, groups that might be able to extract rents for their support.

### 3.1.3 Clientelism

Most analysts use these in the same breath, but I separate out patronage and clientelism because the distribution of patronage is a necessary but not sufficient condition for the development of clientelistic politics. That is, politicians must have some control over targetable goods in order to create patron-client relationships with a group of political supporters (voters and/or interest groups), but their access to these goods does not guarantee the development of such relationships in great depth. As shown by Grzymala-Busse (2007), access of politicians to patronage opportunities in many post-Communist countries led only to the distribution of targetable goods (chiefly jobs) to party cronies, not to large amounts of voters nor to key interest groups in order to swing their votes or reward their loyalty.

Put differently, the development of patron-client relationships must be based on a record of past distribution of targetable goods, or some credible promise of future distribution, both of which require access to targetable goods in the form of patronage opportunities. The barrier between the existence of patronage opportunities and the development of clientelism might be quite low in some institutional contexts. Stokes, for example, lays out a clear argument for why it may not take much patronage at all to guarantee the votes of clients: patronage is best spent on the cheapest voters, whose price to turn out and vote the ‘right’ way is very low. In other contexts, such as the union clientele of socialist parties, the barrier between patronage and the development of clientelism might be high in that significant rents must obtain to union members for them to become clients. In these cases historical ties between union and party make them mutually dependent. I make this last point to caution against us thinking of clientelism as a feature of politics in the developing world only.
Clientelism then, is distinguished from other forms of patronage, by the low amount paid to many for political support, and would only be expected in large-S, smallish-W systems, where there are many voters in the selectorate, but in practical terms most would not turn out save for the mobilization of their patron. It has in common that there is an exchange of at least some political support for some material gain.

3.1.4 Regulatory graft (sometimes known as ‘bribery’, also includes kickbacks)

This form of rent-seeking may be undertaken by both bureaucrats and politicians, who can effectively charge a fee to reduce the regulatory burden on, for example a firm, or to give it preferential treatment in a tendering process. Bureaucrats and politicians might even conspire to create new regulations in order to create new rent-seeking opportunities for themselves. The key here is that the office-holder’s monopoly control over some desideratum (a business license, for example) allows him to collect side-payments. What is done with this money depends: it could be pocketed, redistributed to shore up a coalition, or targeted selectively (in the case of clientelism) to some of those from whom it was extracted.

Economists (Ackerman is an example) conflate corruption with red tape, but red tape is better viewed as a distributive tactic by either governments or bureaucrats. In democracies with strong political control of the bureaucracy, red tape distributes, for example, away from employers and to employees in the case of over-burdensom workplace regulation. The politician that directed that action can then claim credit to the advantaged group and extract a rent. In this case the only benefit to the bureaucrat is the creation of new staffing positions and an increased budget, if these occur; she does not directly capture payments from any actor. In this framework this is not theft or graft; it is a form of patronage directed by the politician and delivered by the bureaucrat, but the later is simply engaging in rational bureaucratic politics.

Certainly, if bureaucrats can create regulations without much political oversight, then they can derive the same benefits the politician did in the example above, in that the advantaged group can
then lobby the politician to fund ‘full implementation’ of the new regulation. But the creation of the regulation, before we know anything about funding, can only produce a potential rent; whether that rent is realized is determined by whether the bureaucrat can charge market actors to get around the regulation. For these reasons, we should be very careful to distinguish between the effects on rent-seeking of different types of regulation. Only some clearly create a rent-seeking opportunity for politicians or bureaucrats.

3.1.5 ‘Improper’ Lobbying

This is perhaps the most difficult to characterize. If we believe Hall and Deardorff (2006), then lobbying is a subsidy to like-minded politicians to help them work on an issue of common value to both. We could thus imagine a rent-seeking politician trying to maximize this subsidy so, for example, her staff or self can work on other things. Is anybody in the wrong here? This rent-seeking is most in the eye of the beholder, and hinges not on some knife-edge definition but an assessment of the degree to which there is an ‘open market’ for votes; in systems with more developed interest-group lobbying pathways, then this activity is much more likely to be a subsidy, because those on the opposite side of an issue will be subsidized by their own related interest groups and thus much too expensive to buy off. If this is not the case, as is true in many young democracies, then politicians can extract rents quite directly by simply charging for their vote.

Glancing back over this list, we can see a whole range of behaviors that avoid meeting some definitions of corruption, but which are clearly corruption by some other definition. As I said above, I think this leads us to not worry about the fact that many of these phenomena come from different parts of the political process, a reaction that can be supported by two arguments. The strong version is that all ‘misuse’ is bad, and so we should fight it all at once to purge the evil scourge. The weaker version is that corruption at different levels of government and the bureaucracy is related, so we might as well sum it up and call it corruption. I am sympathetic to the latter, but I think these relations need to be explicitly outlined rather than brushed over, because it is in those relations that corruption lives.
HELP! The list above is neither collectively exhaustive nor mutually exclusive.

4 Anti-corruption in political context

As I hope to have convinced you so far, setting aside some non-trivial definitional issues we have a good understanding of what is correlated with corruption, but not necessarily what causes it. Another way to approach this difficult problem is to think about what causes an absence of corruption, which we could label ‘clean government’. Unfortunately, a theory of clean government is not as easy as simply reversing all the causal arrows on a theory of corruption.\(^5\) The latter approach begins with the assumption that corruption is a pathology of an otherwise healthy organism, and therefore we should investigate what makes contracting this disease more likely. A theory of ‘clean government’, which might tell us what works in the fight against corruption, begins with the assumption that corruption is endemic to politics, and that successful control of corruption is both rare and incomplete. I am in the latter camp. Corruption is not unusual in politics, it is to be expected from the nature of the game.

4.1 What’s wrong with vilifying bureaucrats?

In the policy-focused literature on anti-corruption efforts, there is an even greater technocratic focus than in the literature on the causes of corruption. This is understandable if the audience of these books is people who want to do something about corruption, even if we don’t understand it fully. A representative example summarizes well the bucket of remedies that this literature recommends: “Some of the most often mentioned political institutional factors which might reduce the level of corruption are accountability, transparency, checks and balances, a free press, an independent anti-corruption agency, civil society participation and an independent court system.”\(^6\) These are nice things if you can get them all at once, and so these existing explanations of why anti-corruption

\(^{5}\) If it is this easy, and I’m only splitting hairs here, please tell me.

\(^{6}\) www.qog.pol.gu.se/research/.../Application-Sarec_Rothstein.pdf
efforts succeed and fail also reference political will, and in doing so commit another social science sin by explaining a non-event with another non-event: ‘corruption didn’t decrease because the politicians didn’t get behind us’.

Besides this wishful thinking, this literature also conveys a general ignorance of general equilibrium effects. If a time-series cross-national regression says that bureaucratic pay is negatively associated with corruption, should we recommend to policy-makers in a high-corruption environment that they increase bureaucratic pay levels? Only if we are supremely confident that the bureaucrat’s game is decision-theoretic. If, however, firms looking to get round a regulation simply pay more to get round the same regulation they did before, the bureaucrat is richer two-fold, and all that happened to corruption was that the lowest-willingness-to-pay firms can’t escape regulation, and the bureaucrat has more cash with which to buy the silence of those with the power to punish him. Similarly, if a regression says that political competition is negatively associated with corruption, should we recommend to policy-makers in a high-corruption environment that they limit their own political survival, perhaps by further institutionalizing political parties? Even if they were to listen to that advice (which is unlikely), there is a possibility that the increasing alternation in government encourages even more patronage, because parties that are very uncertain of their survival will resort to any tactic to stay in power. Finally, to the extent that the sources of rent (particular citizens and firms) for bureaucrats and politicians are substitutes, merit-based hiring might clean up the bureaucracy while moving rent-seeking elsewhere. Any of these interventions change many things about the political system that likely influence the level of different types of corruption.

Tsebelis (1989) illustrates where we must go next to understand the incentives politicians and bureaucrats face to engage in or refrain from corruption. For a moment let’s focus on bureaucratic corruption, and assume voters have delegated to political leaders, who in turn delegate to bureaucrats. The latter face a known schedule of rewards for getting away with corruption and penalties if caught, and the former are rewarded by the electorate for tackling corruption and punished for ig-
noring it.\textsuperscript{7} Solutions to bureaucratic corruption commonly proposed by reformers, such as ‘increase the punishment for bad behavior and the reward for good behavior by bureaucrats’ fail to recognize that it is the \textit{behavior of the monitoring principal} (in this case the political leader) that must change in order to change the behavior of subordinates. This is the key insight of Tsebelis (1989): unless there is no pure strategy Nash Equilibrium between the two players (in this case the political principal and his bureaucratic agent), increasing rewards and/or punishments for agents does not impact the behavior of the agent, it only changes the monitoring frequency of the principal.

This happens because the principal makes an expected-utility calculation for her entire monitoring effort. If increasing penalties for errant bureaucrats are associated with increasing rewards for the politicians monitoring them, then this might induce the principal to work less hard at monitoring because each time she catches someone her reward is much greater. This creates a second-order delegation problem for the voters trying to assess whether an elected official has done a good or bad job policing corruption; if the penalties are constantly ramped up, it can be simultaneously true that the corrupt behavior of bureaucrats remains unchanged while politicians appear to be doing a better job purely because they make successively bigger busts. The implications of this dilemma indicate where to go next with models of bureaucratic corruption, especially in \textit{less-democratic contexts}: the political corruption and bureaucratic corruption literatures must be brought together to explain the conditions under which members of the (s)electorate can change political leaders’ incentives so the latter monitor and punish bureaucratic corruption more effectively, as a matter of routine and not special circumstance (like an approaching election). The catch is that the (s)electorate is unlikely to have a unified view of the utility of making these efforts against corruption routine.

Citizen preferences\textsuperscript{8} over both the general level of corruption, and over the various components of electoral competition, are not straight-forward, no matter what anti-corruption crusaders would

\textsuperscript{7}In what follows, one could replace the bureaucrat with a generic politician and replace the political leader with the party leadership, and the same statements would still hold for political corruption.

\textsuperscript{8}Another thing I struggle with is trying to be agnostic about regime type in a literature that is very much focused on corruption in democracies. Please excuse the confusion for now.
like to believe. It would be mistake to say that because there is a general ‘distaste’ for corrupt behavior in places where there is little corruption and regular and robust electoral competition, that this distaste is universal even within those countries. In the United States, despite generally low levels of the phenomena above, pockets of each exist in strongholds: bureaucratic jobs only for union and party members in Chicago and New Jersey are two well-known examples.

Furthermore, even if voters were good macroeconomists, and knew for certain that political and bureaucratic rent-seeking had an aggregate negative effect on economic growth, they would need to be universally sociotropic voters to weigh this evidence heavily. And to the extent that significant segments of the (s)electorate benefit from these phenomena, any concern about overall levels would be dampened. This suggests many complex incentives for bureaucrats and/or politicians in their quest to please high-demanders as well as swing-voters. Also, thinking about bureaucrats and politicians at the same time creates a potential competitor or collaborator for each. Obviously it would be ideal to have neither being able to seek rents, in part due to each checking the other, but the incentives outlined above might make this impossible.

4.2 Existing literature on political competition and corruption

Geddes (1991) developed the first game-theoretic treatment of corruption-reducing bureaucratic reform in a context of electoral competition (to my knowledge), and her work forms a major foundation of this paper. Geddes uses a simple model to explain why widely desired administrative reform does not automatically occur; those with the power to enact and entrench such reforms must have incentives to do so, and in countries with widespread political and bureaucratic corruption this condition rarely obtains. Whatever benefits of economic growth or increased accountability might flow from administrative reform to reduce corruption, politicians give up a lot of discretion that could otherwise help them survive. What drives the model is the balance of power between the strongest parties. When patronage opportunities are evenly divided among them, reforms are more likely to pass because the patronage confers no electoral advantage, whereas voting for reform
might sway some voters. The hidden knife-edge in the story is that if any party enjoys a patronage advantage greater than its potential reform benefits, it would never vote for reform, and so reform never passes.

This model has two potential extensions unexplored in the subsequent literature. The most critical question is over the electoral value of reform to political parties, which is a parameter in the model that gets fleshed out in Geddes’ case study evidence, but which is not a moving part of the model itself. Modelling the sources of this benefit, and weighing this against the opportunity cost of reform in terms of foregone patronage, would be a productive extension and allow us to explain where these incentives come from. In addition, in Geddes’ model, once merit hiring introduced, patronage is off the table for the foreseeable future. Yet transitions from a high- to low-corruption equilibrium rarely stick in one move, instead reform efforts get partially rolled back under different conditions and then reformers must try again at a later date. Repeating the game in some fashion thus might be another useful avenue for future research.

Kunicová and Rose-Ackerman (2005), as discussed above, discuss how electoral rules affect rent-seeking by politicians, and thus are engaged in a debate with Persson and Tabellini over the merits of PR vs plurality and presidential vs parliamentary systems, one I am not interested in entering at this stage. Though they don’t discuss the links between bureaucratic and political rent-seeking, the logic of their story rests on monitoring of incumbents by their own party leadership and the opposition, which fits well with the monitoring story I told above. Furthermore, they explicitly rule out much of the constitutive phenomena described above, by focusing only on activities leading to personal enrichment of politicians, not on how politicians use rents to build coalitions. The one aspect of their model I would like to engage them on is represented in the following quote:

“We assume that if a representative’s corrupt rent-seeking becomes publicly known, it decreases his or her popularity and chances for re-election. This is so not just because of the voters taste for honesty, but also because an honest and diligent political agent is likely to be a more effective

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9 This proportion is often small for the following reason: “Most of the time, legislators and party leaders can afford to ignore the public’s desire for reform because reform is only one of many issues that affect voters’ choices and is rarely - perhaps never - the most important issue to voters.”

10 This is partly the picture she paints about Latin America later in the article
advocate for constituent interests.”

This is a costly assumption, even for their model, and I think it causes them to miss a good deal of relevant behavior. The problem with politicians is rarely simply a matter of constraining their personal enrichment, but also disentangling this enrichment from the enrichment of others. I intend to make the opposite assumption, that a political agent is a more effective advocate (measured by delivering benefits) if he is dishonest and can coopt others in that activity with promises of personal enrichment. In short, one set of behaviors we call corruption (buyoffs) make personal enrichment, which is K & R-A’s concern, even easier.

The corruption-cleansing forces of electoral competition are specified theoretically, and supported empirically, in Grzymala-Busse (2007). That work focuses on economic and democratic transitions in post-Communist states, and found that robust competition, conceptualized as “actual threat of removal by the electorate due to exposed exploitation”\textsuperscript{11} is responsible for the sharp post-1990 divergence in many economic and political outcomes. For the research at hand, the most relevant results are those relating to the size and nature of the state bureaucracy. In states where a legitimate alternative ruling coalition existed and was able to monitor and expose corruption, the political parties that inherited the state were forced to build lean and efficient bureaucracies, whereas in places without robust competition, politicians were free to build whatever new agencies they wanted and to distribute jobs freely to party members. This notion of robust competition is fairly close to what I want to pursue further, but as it stands in Rebuilding Leviathan, the incentive structure for the actors involved is built in to that variable, both theoretically and in its operationalization. Robust competition is present when oppositions are identifiable, plausible as governing coalitions, and highly critical of the incumbent coalition, but the degree to which these obtain itself depends on whether (enough) voters care about incumbents exploiting the state, and on whether opposition parties have incentives to change politics once in power, or just want to be in the big, corrupt, chair. In the European post-Communist context, decades upon decades of widespread corruption, along with the active suppression of political opposition, might have

\textsuperscript{11}This is an author-cleared paraphrasing!
heightened the sensitivity of both voters and oppositions to corruption above what we might expect elsewhere. An explanation of the underlying, competing pro- and anti-corruption preferences of political actors could then use Grzymala-Busse’s robust competition framework to explain levels of corruption in many different contexts.

5 Competing effects of political competition on corruption

The essential problem of voters in democratic politics is how to delegate while minimizing plain theft by the rulers, but the problem for any individual voter is how to delegate while minimizing the proportion of theft that gets given to others (instead of ‘me’).\textsuperscript{12} It is this nexus that makes theft by politicians, and corruption in general, both possible and desirable for many crucial political actors, even in robust democratic regimes. Below, I briefly describe some of the competing effects of political competition on different types of corruption.

\textbf{Electoral volatility:} In many of the (more or less) democratic states that have problems with corruption, it is also the case that a party’s hold on power and its survival in general are highly uncertain. There may be low barriers to entry by other parties, underlying cleavage structures may not have imparted on to the party system a stable structure, and the rules of the game are more likely to change at any given time. All of these factors increase the ‘raw’ probability of losing office. When this volatility is very high, it may lead parties in power to cut-and-run, ie take all they can personally get before losing office. At slightly lower levels, the use of patronage to develop clientelistic relationships with interest groups and particular voters, with some theft on the side, would be an attractive strategy to try and counter effects of the unstable party system. Below this again, volatility is just enough to make politicians permanently suspicious of what idiosyncratic event might be lurking round the corner to remove them from power without necessarily engaging in any bad behavior, and so they will steer clear of all corruption just in case exposure of this by the opposition, plus the random shock, turf them out. At the lowest levels of electoral volatility,
incumbents control the political system to such a degree that this raw probability is irrelevant.

**Mobilizing citizen dissatisfaction with corruption:** As outlined deftly by Geddes, though most citizens are disgruntled by bureaucratic and political corruption, the anti-corruption vote is often quite small. Few politicians who are in the position to be accused of tolerating and engaging in widespread corruption got where they were today without using those spoils to build a strong support coalition. Thus, the usefulness of citizen dissatisfaction for altering the incentives of politicians depends on the balance between a) general dissatisfaction with (or acquiescence to) the whole environment of corruption, which could be modelled as the negative effect on one’s own productivity through corruption’s drag on economy and b) specific dissatisfaction (or satisfaction) with the share of the benefits of corruption that accrue to ‘me’. Only when a) dominates will both parties have the incentive to refrain from patronage and lock this in with administrative reform. If b) dominates, then increased political competition is only increasing the rents that crucial supporters can charge. If this happens, politicians can still appear to be doing something about corruption by making a few big arrests now and then.

**Regularized alternation:** Two patterns are possible here. Parties could compete on the cleanliness of their records, in hope of getting their turn in office, or they could use patronage to compete for the ‘big prize’, ie the chance to roll back the other party’s policies and spend their turn redirecting patronage. Which effect dominates would depend on the balance of power between the competing parties, ala Geddes. Regularized alternation might also make it easier for the opposition to organize effectively, because there is some hope of gaining office.

**Availability of bureaucratic hiding places:** some combinations of the above factors might lead politicians to clean up themselves and the bureaucracy, but to the extent that incumbents have relatively free control over the creation of new agencies or new jobs within existing agencies, political competition might have the perverse effect of encouraging them to improve the rent-seeking opportunities for allied bureaucrats, make the odd arrest at some later point, and avoid public blame. Whether the bureaucracy is a good hiding place depends on many things, but the most important is whether local conditions within the bureaucracy incentivize a critical mass of bureau-
crats at crucial levels (particularly ‘middle management’) to police each other and punish detectors. In turn, this would most likely emerge when the expected utility of (job security conditional on merit + regular wage increases) is greater than the expected utility of (uncertain rent-seeking in the future). In this equilibrium, willingness to punish defectors and non-defection by oneself both send a strong ‘merit’ signal that increases promotion probability.\footnote{There is a lot going on here to create the conditions for a clean bureaucracy that will resist attempts at corruption by political leaders, but I think that is exactly how difficult it is to get to a low-corruption equilibrium.}

5.1 Conclusion

With all the preceding discussion in mind, I have formed but one coherent model-in-words that might begin to get leverage on the question of how ‘clean government’ emerges endogenously through political competition, and it will close this paper.

I propose to model this process as a pair of principal-agent problems: the reform-minded voters can only delegate the task of monitoring and punishing bureaucratic corruption to a (potentially corrupt) politician, and this politician, even if clean, cannot perfectly monitor and punish the bureaucrats on whom she must rely to implement policy. This leads to a series of monitoring and enforcement interactions between an electorate, an elected politician, who may be clean or corrupt, and a pool of more or less corrupt bureaucrats. The success and credibility of promises to ‘clean up corruption’ depends on whether enough bureaucrats have an incentive to expose corrupt colleagues to make this behavior self-enforcing, and whether the politician wants to clean up corruption in the first place depends on whether the opposition is plausible and vigilant enough for voters to credibly condition their support on such efforts.

A potential extension would give the politician only incomplete control over the rewards and punishments necessary to create this incentive for self-policing, and so establishment of ‘clean government’ depends on whether the politician can be induced to devote enough resources to her efforts to overcome the collusion of bureaucrats, who cooperate in the avoidance of monitoring to protect their rents. Finally, if bureaucratic compliance with the wishes of elected officials is part
of politicians’ utility functions, the latter face a difficult tradeoff between policing and punishing bureaucratic corruption enough to please voters in general, while also keeping the bureaucracy ‘on side’ enough so patronage programs can be targeted at relevant voters. It is in this interaction that the incentives are strongest for bargaining between politicians and bureaucrats over the rents from corruption. If the politician and bureaucrats can reach such a bargain, they can avoid the need to expose each other, and thus stave off electoral and administrative reform.
References


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