

# On the Link Between Government Ideology and Corruption in the Public Sector

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## Abstract

This paper studies whether corruption in the public sector is more likely to prevail when right-wing parties are in power, which is a question that has so far not been investigated in the existing literature. The underlying theoretical link between government ideology and corruption relies on the observation that politicians of right-wing parties maintain closer ties to representatives of the private sector in conjunction with the fact that corruption is more likely to occur in a long-term relationship characterized by mutual trust and reciprocity. The empirical analysis for 106 countries over the 1984 – 2008 period provides robust evidence in favor of this hypothesis. The empirical results additionally suggest that this effect is weaker in democratic countries and in countries with a free press, an independent judiciary, and a high share of women in parliament.

**Keywords:** Corruption, bribery, government ideology, political institutions, government-business proximity

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## I. INTRODUCTION

The literature on the determinants of corruption is extensive and has brought to light numerous findings. Especially, during the 1990s there has been an exponential growth in the number of cross-country studies on corruption. The bottom line in this literature is that countries that are developing or in transition, that are or have been recently governed by socialist governments and whose economies are closed are likely to be characterized by high levels of corruption (Svensson, 2005). The theoretical literature goes one step further and attempts to explain from the viewpoint of institutions why high-corruption countries have these particular characteristics.

The first set of theories contends that institutional quality on a more general level is strongly determined by economic factors. It is argued that the development of institutions relies heavily on a country's level of income and the needs that arise with it (Lipset, 1960; Demsetz, 1967). In a similar vein, higher levels of income are often associated with higher education levels. This increase in human capital is necessary since the efficient operation of courts and other formal institutions relies on the development of human capital. Moreover, abuses by politicians are more likely to be detected when voters are literate (Lipset, 1960; Glaeser et al., 2004).

The second set of theories places the emphasis on a more direct connection between institutions and corruption via countries' historical traditions and colonial heritage. Acemoglu et al. (2001) argue that institutions in colonies were designed to benefit the colonizers rather than the native population, which is why lower corruption is observed in regions where settlers did not stay for a long time. On the other hand, La Porta et al. (1998, 1999) assert that the identity of the colonizer is decisive and that colonizers with a French or Socialist legal origin created more regulation and thereby more corruption compared to British colonizers. Moreover, Treisman (2000) and Landes (1998) provide several explanations for the empirical finding that corruption is lower in countries where the population is mainly Protestant: (i) Protestant religion is more egalitarian than other religions, (ii) the spread of education and learning has been stronger in Protestant than in Catholic and Muslim societies, and (iii) Protestantism arose partially in opposition to state-sponsored religion. Finally, Serra (2006) conducts an extreme bounds analysis on the determinants of corruption and confirms the effects of Protestantism and colonial heritage, while also providing evidence that corruption is lower in countries where democratic institutions have been in place for a long time.

In recent years, the focus within this literature has shifted from economic factors and historical reasons for corruption towards characteristics of governments and electoral systems that act as a breeding ground for corruption or at least fail to contain corruption. For instance, the form of political institutions – parliamentary versus presidential and proportional versus majoritarian – has been shown to affect the level of corruption as it influences voters' ability to hold politicians accountable for their

actions (Persson and Tabellini, 2004). Related to this, Kunicova and Rose-Ackerman (2009) analyze the role of closed versus open list elections and find a significant effect on corruption. Alt and Lassen (2002) observe *ceteris paribus* higher levels of corruption in states with restrictive ballot access for popular initiatives, closed primaries, and relatively unrestricted campaign finance. Moreover, there are a number of studies that investigate the relationship between the form and extent of decentralization and levels of corruption (Arikan, 2004; Fan et al., 2009; Fisman and Gatti, 2002a,b; Gerring and Thacker, 2004). Finally, there is evidence that the number of women in parliament (Dollar et al., 2001; Echazu, 2010) has a negative influence on the incidence of corrupt activities.

Another strand of this literature focuses on the influence of ideological polarization, and the separation of powers (executive-legislative relationship, independent judiciary) on corruption. Testa (2010) analyzes the influence of bicameralism on corruption and finds that corruption is lower when two chambers are in place as long as they are controlled by the same party and the extent of party polarization is high. On the other hand, bicameralism reduces the accountability of legislators to the electorate when the two chambers are controlled by different parties. Alt and Lassen (2008) limit their analysis to the presidential system and find that the level of corruption is lower when the legislative of US states is controlled by a different party than the executive and when the judiciary has been elected rather than appointed by the executive. Azfar and Nelson (2007) provide experimental evidence that an elected judiciary is more effective in fighting corruption, while Gordon's (2009) empirical analysis suggests a partisan bias in federal public corruption prosecutions given that U.S. Attorneys of the Department of Justice are political appointees. Brown et al. (2011) find that a high extent of ideological polarization among parties serves to increase perceived corruption. The rationale is that politically distant parties are more likely to reveal corrupt practices of the political opponent.

Brown et al. (2011) especially emphasize that “perceptions of corruption are determined (...) by *who* sits at the controls” (p.1) and that “the efficacy of institutionalized constraints (...) depends on who is being constrained and who is doing the constraining” (p.2). In this paper, we follow this viewpoint even more directly by not only focussing on the distance between parties' ideological positions, but also on the absolute position of parties that are in power on the left-right scale. Hence, we analyze the direct relevance of government ideology for the extent of corruption, which is a question that has not been investigated in the literature so far.<sup>1</sup>

The theoretical relationship between ideology and corruption that is put forward in the paper at hand relies on two observations. First, members of right-wing parties are more likely to originate from an entrepreneurial background and their party platforms more strongly represent the interests of businessmen. For this reason, they maintain closer relationships to representatives of the private

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<sup>1</sup> Alt and Lassen (2008) mention as an aside in their study the observation that the years under a Republican federal government were characterized by above-trend numbers of corruption-related convictions. Yet, this might be due to higher expenses on law enforcement and other confounding factors that were not considered.

sector. The second observation is that trust and reciprocity are essential when people are involved in illegal activities such as corruption.

The empirical analysis relies on a cross-sectional dataset for 106 countries over the time period from 1984 to 2008. As a measure for corruption we employ the corruption index from the International Country Risk Guide (ICRG), while data on the ideology of the chief executive originates from the Database of Political Institutions (DPI). The regression results suggest that the extent of corruption is higher when right-wing parties are in power rather than left-wing or centrist parties. This effect appears to be less relevant in democratic countries and in countries with a free press, an independent judiciary or a high share of women in parliament.

The remainder of the paper is structured as follows: section II presents a number of theoretical considerations on the link between government ideology and corruption, while section III describes the data that is used in the empirical analysis as well as the empirical strategy. Section IV presents the cross-sectional estimation results and section V provides some concluding remarks.

## II. THEORETICAL CONSIDERATIONS

### *2.1 Arguments for higher corruption when right-wing parties are in power*

In order for corruption to take place, the involved agents need to overcome the inherent two-way uncertainty involved in such illegal actions. As Rose-Ackerman puts it: “Corruption occurs when dishonest politicians and public officials help others in return for payoffs. Because their actions are illegal, they need to trust their beneficiaries not to reveal their actions.” (p. 527). In addition, agreements based on bribery are not enforceable by the law (Boycko et al., 1996) so that bribers also need to trust politicians and public officials to fulfill their part of the deal.

Related to this reliance of corruption on the existence of trust, Tonoyan (2005) speaks of the “dark side of trust” and provides evidence that a high extent of particularized trust in other citizens is positively correlated with the extent of corruption. An extreme example for the creation of a high-trust environment that breeds corruption can be found in Japan, where administrative corruption is systematically embedded as former high-ranking politicians to a high extent serve on the board of directors of major companies (Choi, 2007).

Corruption involves not only an illegal exchange whose outcome is uncertain and that requires trust; it can also be described as reciprocal behavior between two parties. The question is then which circumstances make reciprocity in general and corruption as a special case of reciprocity more likely to occur. The growing number of experimental studies that provide evidence for reciprocal behavior

suggests that reciprocity can also be observed in anonymous one-shot games without prior communication (Berg et al., 1995; Dufwenberg and Gneezy, 2000; Fahr and Irlenbusch, 2000; Fershtman and Gneezy, 2001) but is stronger and more frequent in repeated games (Gächter and Falk, 2002). Hence, if businessmen and legislators are more familiar with each other and interact more frequently on a wide range of issues, they are more likely to get involved in (illegal) mutually beneficial arrangements.

In a more specific context, Abbink (2004) presents empirical evidence that regular staff rotation in particularly sensitive areas of public procurement as it can be found within the German federal government reduces the opportunities for the development of long-term relationships between legislators and representatives of the private sector and thereby the frequency of corrupt activities. More specifically, Abbink (2004) finds that with staff rotation bribes are offered less frequently and are also accepted less frequently. Moreover, the bribe sums are lower compared to the one-shot anonymous assignment conducted in Abbink et al. (2002).

In the following, three linkages between legislators and the private sector are described in order to map out in detail why right-wing politicians in particular often find themselves in a trustful, reciprocal relationship with representatives of the private sector.

### *2.1.1 Funding of right-wing political parties*

Companies donate money to political parties in order for their preferred policies to be implemented. This can only happen when the party with the most suitable and beneficial policies gets elected. On the other hand, political parties are in need of donations to finance election campaigns.

Across a number of countries, there is evidence that right-wing parties usually receive more funding from corporations and small firms compared to left-wing parties that are sometimes to a high degree financed by labor unions. According to the Electoral Commission, an independent body set up by the UK parliament that is among other things responsible for making the finances of political parties transparent, more than 80% of the donations received by the Labour Party in the third quarter of 2010 were paid by labor unions and only 6% by companies. On the other hand, for the Conservative Party and the Liberal Democrats the share of donations by companies makes up about 20% and 15% of the total, respectively. In addition, about 25% of the donations received by the Liberal Democrats in the third quarter of 2010 were paid by so-called unincorporated associations, which include limited partnerships and real estate investment trusts. A similar observation can for example be made in Australia, where trade unions mostly support the left-wing Australian Labour Party, while companies and business federations preferably donate money to the Liberal and Nationalist Parties (Nassmacher, 2003; Young and Tham, 2006).

While these transactions are perfectly legal as long as the respective public disclosure requirements in each country are met, there is reason to believe that these payments foster a strong degree of familiarity between businessmen and politicians. Consequently, it is conceivable that in a situation where bribes are offered by a firm that regularly donates money to a party, a right-wing politician will be more reluctant to turn down the bribe offer or even to report the criminal incident since he does not want to put at risk future donations to his party and thereby jeopardize his own electoral success and political career.

### *2.1.2 Educational/ professional background of right-wing politicians and businessmen*

A second link between politicians from right-wing parties and the private sector can be established by means of the professional/ educational background of this particular group of politicians. Even though we suspect that right-wing politicians are likely to originate more frequently from the same schools and universities as the business elite, we have not been able yet to collect systematic evidence that supports this conjecture. Assuming that this conjecture is confirmed, studies suggesting that the performance of companies benefits from networks of university classmates and alumni among directors of major US firms and US Congressmen (Do et al., 2011) should be noted.

While we do not have information regarding the distribution of educational backgrounds across parties' ideological positions, there is evidence regarding the question whether parliamentarians are employed by private sector firms while holding a mandate. Niessen and Ruenzi (2010) analyze data that has become available through the introduction of a new transparency law in Germany in 2007. This law requires members of German parliament to disclose and publish information on any income earned that is not directly linked to their mandate. In particular, they find that members of the German conservative and liberal party more frequently worked for firms in the private sector than members of the German left-wing parties. This implies that next to their political careers right-wing politicians in Germany are employed by firms in the private sector more frequently, which creates a very direct connection to potential bribe-payers. Of course, the question arises whether this finding holds up in other countries or whether it is specific to the German case.

### *2.1.3 Post-career opportunities for politicians with strong ties to the private sector*

Schneider (1993) argues that "If officials usually move directly into management positions in the private firms they regulated as officials, then we should expect them while still in public employ to cultivate ties to, and accommodate the strong interests of, potential employers." While it is hard to say whether this is a phenomenon that can be observed all over the world, at least there is some evidence for such a development in developed countries. For instance, a recent study by Diermeier et al. (2005) on the career decisions of former members of U.S. Congress in the post-war period provides evidence

that the existence of 'political careers' (politicians who leave politics before retirement and work in the private sector) in contrast to 'career politicians' (politicians who stay in politics until retirement) is quite widespread nowadays.<sup>2</sup> In fact, this study finds that 39% of former Congress members that leave politics voluntarily find a job in the private sector and tend to pursue successful careers.

As an extension to this finding, Bailon et al. (2009) analyze the question how big rewards from high public office are in terms of private sector earnings based on a dataset of 1000 former high public officials (including ministers, members of parliament, and civil servants) over the time period from 1999 to 2008. Their estimations suggest that there is indeed a connection between service in high public office and post-career rewards in the corporate world, which is particularly true for the Treasury (through the economic policy and regulatory influence), the Ministry of Defence (through the procurement and sales ties) and the Foreign office (through overseas connections). Unfortunately, there exists to our knowledge no systematic evidence that right-wing politicians benefit the most from their connections in terms of post-career rewards, even though this seems very likely given that their liberal policies in particular benefit the private sector.

In any case, similar to the argument related to party's funding sources, it can be argued that it will be harder for a politician to turn down bribe payments from a company that is likely to be his future employer. Therefore, if it is indeed the case that right-wing politicians have more lucrative post-career employment opportunities than politicians from centrist and left-wing parties, one might suspect that right-wing politicians are more often involved in corrupt deals than politicians with a different ideological background.

## *2.2 Counter-arguments: Lower corruption when right-wing parties are in power*

There are also a number of arguments why corruption might be higher when left-wing parties are in power. In a recent study, Bågenholm (2009) investigates whether corruption allegations and anti-corruption rhetoric have become common in European elections in the time period from 1983 to 2007. The author finds that a politicization of corruption can indeed be observed especially in Central and Eastern Europe and with regard to established, right-wing parties in opposition. One possible explanation that the author offers is that "corruption fighting is an issue ideologically closer connected to the right of centre" (p. 15). If this were true and if right-wing parties that rely on anti-corruption rhetoric in their manifestos indeed make a bigger effort to fight corruption, this would imply that corruption is lower when right-wing parties rule. However, it is not unusual that politicians do not keep their electoral promises and it should also be noted that Bågenholm (2009) does not observe differences in election campaigns in established democracies of the West.

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<sup>2</sup> The terminology regarding political careers and career politicians goes back to Mattozzi and Merlo (2008).

Di Tella and MacCulloch (2009) provide a second argument why corrupt countries may be ruled by left-wing parties. Their argument is basically that in poor countries “over time, increases in corruption in a country precede increases in left-wing voting“(p.285) due to the fact that the support for left-wing politicians is the only way that citizens can punish corrupt capitalists.<sup>3</sup> From a cross-country perspective, one would then find a positive correlation between corruption and left-wing parties in power. However, this reasoning overlooks how the dynamics of electoral outcomes. It is likely that once left-wing parties are in office and increase the amount of regulations, corruption increases even more and that voters will then elect right-wing politicians into office. Moreover, voters appear to believe that left-wing legislators are likely to lead to a reduction of corruption since otherwise it would be inconsistent for them to elect them. Hence, the evidence provided by Di Tella and MacCulloch actually supports the original link on ideology and corruption of section 2.1.

A third argument can be constructed by looking at the empirical evidence suggesting larger public sectors with left-wing parties in power (De Haan and Sturm, 1994). If one accepts this, based on the few studies that find a significant difference in government size across government ideology, one could combine this with the possibility that there are more opportunities for bribery when governments are large. There are indeed a number of cross-country investigations on the relation between corruption and government size. First, LaPalombara (1994) provides evidence for a positive correlation of government size with corruption. LaPorta et al. (1999) look at subcomponents as they believe that these should be particularly influenced by corruption. They find a positive correlation of government subsidies and transfers with corruption. Rose-Ackerman (1999) argues that such simple correlations may be misleading. Hence, it is not surprising that Elliott (1997) provides evidence for the opposite sign of LaPalombara for a cross-sectional study of 83 countries and that Tanzi (1995) finds that government revenue is lower in corrupt societies.

In sum, the three arguments for a higher extent of corruption under left-wing governments are based on a rather weak foundation both theoretically as well as empirically. However, with regard to the regression analysis in section III one should bear in mind from this discussion that purely cross-sectional analyses can be misleading. Therefore, a future extension of the empirical analysis should include estimations that also take into account the variation over time in the data.

### *2.3 Factors that reinforce/ mitigate the effect of government ideology on corruption*

Regardless of whether corruption is likely to be higher with right- or left-wing parties in power, there are several characteristics of governments, political parties, and the electoral system that may either reinforce or mitigate the effect of government ideology on corruption. First of all, a strong democracy and a free press should weaken the effect of right-wing governments on the extent of corruption since

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<sup>3</sup> Smyth and Qian (2008) provide similar evidence for the case of China.



both of these elements of a modern society imply that corruption is more likely to be detected, which should serve as an effective deterrent. Moreover, the extent of ideological polarization across political parties is likely to matter since it is a valuable measure for the ideological distance between parties and is likely to capture to what extent ideological differences are salient within a particular country. Put in different words, if the extent of polarization is low, we might expect not to observe any effects as they were described in sections 2.1 to 2.2. On the other hand, one could argue in line with Brown et al. (2011) that a higher extent of polarization would weaken the ideology effect on corruption given that it is more likely that corruption will be reported by the political opponent. Both arguments are plausible and it remains an empirical matter to see which one is borne out by facts.

Following Persson and Tabellini (2003) we hypothesize that it also matters whether a country is characterized by a presidential as opposed to a parliamentary system and whether proportional representation is used. These arguments are based on the idea that individual accountability of politicians and public officials is likely to reduce corrupt activities. The extent to which a right-wing government can interact with the private sector in a mutually beneficial way is also likely to be reduced by the strength of the checks and balances in place. Therefore, we hypothesize that the number of veto players as well as an independent judiciary also mitigates the ideology effect. In line with previous studies, it is also likely that the share of women in parliament reduces the effect of right-wing governments on the extent of corruption.

In addition, it is probable that legislators find it easier to develop and the benefit from their informal connections to the private sector when they are in office for a longer consecutive time period. This relates back to the reasoning on trust and reciprocity in section 2.1. Finally, one should take into account that in the case where the extent of government fragmentation is high the government is less dominated by one single party, which should reduce the likelihood for corrupt activities.

### III. DATA AND MODEL SPECIFICATION

#### *3.1. Data description*

There are three main indicators for corruption that are commonly used in the empirical literature and that are based on either one or several surveys. Each of them has certain benefits and drawbacks. The first measure is the 'control of corruption' indicator which belongs to the World Bank Governance Indicators (Kaufmann et al., 2003). While this measure is an aggregate indicator like Transparency International's Corruption Perceptions Index (CPI), one of its main advantages is that it uses more sources for the calculation of the aggregate index than the CPI. As a result, the World Bank control of

corruption measure captures corruption in the public as well as the private sector (some sources provide data on corruption at the household level) as perceived by experts and opinion polls, while the CPI measures public sector corruption as perceived by experts only.

We have decided not to use the World Bank's corruption measure in the empirical analysis because it has only been published bi-annually before 2002; we also abstain from using the Corruption Perceptions Index because it is only available as of 1995. The corruption measure that we do include in our estimations is provided by the private risk-rating agency Political Risk Services, Inc. that publishes the International Country Risk Guide (ICRG). The advantage of the ICRG corruption measure (included in the political risk indicators) is that it is not a composite indicator and therefore year-to-year comparisons are more reliable. In addition, of all three indicators it has the longest time dimension since it stretches from 1984 to 2008, while covering a world-wide sample of at maximum about 140 countries.

For our main explanatory variable (right-wing chief executive) we use the variable 'execrlc' from the Database of Political Institutions by Beck et al. (2001). We have redefined it in a way that the value 0 stands for countries with centrist and left-wing chief executives, while the value 1 indicates a right-wing chief executive. These values captures party's orientations with respect to economic policy, coded based on the description of the party in the sources, using the following criteria: (1) Right: for parties that are defined as conservative, Christian democratic, or right-wing., (2) Left: for parties that are defined as communist, socialist, social democratic, or left-wing, and (3) Center: for parties that are defined as centrist or when party position can best be described as centrist (e.g. party advocates strengthening private enterprise in a social-liberal context). Note that the parties are not described as centrist if competing factions within a party "average out" to a centrist position.

We use six additional DPI variables on the institutional environment of the countries included in the regression analysis. First, we include government fragmentation since we assume that a higher level of fragmentation means that political power is divided in a more balanced way across parties which should reduce the likelihood of corrupt activities. Second, our regressions make use of the DPI's measure for the number of consecutive years that the chief executive's party has been in power. In general, the counting restarts from 1 for a party if its name changes except for the few cases where the sources indicated that party leadership, membership, and platform remained the same following the name change. The idea behind this control variable is that political parties need time to establish certain linkages to the private sector to make corruption work and that they may be less inclined to be involved in such activities shortly before an upcoming election. Third, the variable "party polarization" measures the maximum difference between the left-right-center orientation of the chief executive's party and the placement of the three largest government parties and the largest opposition party. Our expectation is that differences in corrupt behavior across parties should be more relevant when the ideological distance between parties is particularly large. The three remaining variables

measure whether a country is characterized by strong presidential system as opposed to a weak presidential (with an assembly-elected president) or a parliamentary system, whether proportional representation is used, and how many veto players the chief executive of the government faces.

The estimations also control for the extent of press freedom scaled from 0 (most free) to 100 (least free) and the extent of political rights with captures how strong a democracy is scaled from 1 (least free) to 7 (most free). Both of these variables can be found in the Freedom House databases. In order to capture the cultural environment in a country, we include in the regressions variables that capture the share of Protestants in the population, the extent of ethnolinguistic fragmentation, and the share of women in parliament (The sources and definitions for all variables described here can be found in the appendix). A final variable on the strength of checks and balances is provided by the POLCON databases (Henisz, 2006) measuring whether the judiciary is independent or not.

Moreover, all of the regressions include PPP-adjusted real GDP per capita in international dollars taken from the Penn World Tables 6.3 by Heston et al. (2009). The inclusion of this variable is necessary in order to account for the well-known general finding in the literature that countries with a lower level of economic development and lower levels of income are more likely to suffer from corruption (Svensson, 2005). Based on Ades and Di Tella's (1999) finding that exposure to international competition serves to reduce corruption, we include the KOF globalization index (Dreher, 2006) in the regressions, which is also important in order to avoid spurious correlation. If we find a correlation between government ideology and corruption without controlling for globalization or economic openness, it could very well be that it is driven by the correlation of both variables with globalization given that right-wing parties usually support economic liberalization.

### 3.2. Empirical strategy

The bulk of the empirical literature on the causes and consequences of corruption relies on cross-sectional estimations for more than 100 countries (Bardhan, 1997; Mauro, 1995; Mauro, 1998; Svensson, 2005; Tanzi, 1998). The discussion in the following paragraphs follows this approach, while pointing out to the reader that there is generally a lack of econometric evidence for the directions of causality that are claimed. The cross-sectional regression model that we propose is summarized in equation (1), where subscript  $i$  stands for countries and subscript  $r$  stands for world regions to which these countries are assigned:

$$Corruption_{ir} = \alpha + \beta * Right-wing_{ir} + \gamma * X_{ir} + \delta * P_{ir} * Right-wing_{ir} + \mu_r + \varepsilon_i \quad (1)$$

$Corruption_{ir}$  represents the extent of corruption as measured by the ICRG index by Political Risk Services, while  $\varepsilon_i$  represents the error term which we assume to be normally distributed. For the main explanatory variable  $Right-wing_{ir}$  we use the data by Beck et al. (2001). The vector  $\mathbf{X}_{ir}$  includes all of the control variables outlined in the previous section, while the vector  $\mathbf{P}_{ir}$ , represents a subset of variables included in  $\mathbf{X}_{ir}$  that are interacted with  $Right-wing_{ir}$ .

All of the regressions include an intercept  $\alpha$ , while some of the regressions additionally include region dummies  $\delta_r$  in order to control for cultural factors that influence corruption and that pertain to a certain world region. In particular, we have divided the 106 countries in the dataset into nine regions: Africa, Asia, Central America, Central and Eastern Europe, Latin America & the Caribbean, North Africa & the Middle East, North America, Oceania and the remainder of Europe.

## IV. EMPIRICAL RESULTS

### 4.1. Baseline estimations

In table 1, we have reported regression results for eight different empirical models, which differ in the sense that the number of control variables is increased consecutively. In a way, this procedure can be viewed as a kind of robustness check since estimation results often differ when different control variables are included. Due to reasons of data availability the number of observations drops from 106 (model 1) to 89 (model 8). In all of the estimations, the coefficient for the right-wing chief executive dummy is significant regardless of the number of control variables. The coefficient ranges between 0.4 and 0.66 with corruption being measured on a scale from 0 to 6. Hence, countries with right-wing governments *ceteris paribus* suffer from about a 10% higher level of corruption as perceived by survey respondents.

With regard to the control variables, it can be said that a higher national income per capita, a higher extent of economic openness, a higher share of Protestants in the population, more press freedom, and a lower extent of ethnolinguistic fractionalization are negatively associated with corruption as it has been shown in previous cross-country studies. Of the eight institutional variables in the lower part of table 1, only one turns out to be significant. In line with Brown et al. (2011) model 6 reveals that a higher extent of ideological polarization serves to reduce corruption. The rationale for this finding put forward by the others is that strongly opposed parties are more likely to report corrupt activities by the political opponent. For the independent judiciary dummy the coefficient has a t-statistic that is just below the 10% level. This almost significantly negative effect is also in line with our expectations.

Table 1. Baseline estimations: 1984 - 2008 averages for 106 countries worldwide

Dep. variable: Corruption (ICRG)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<b>Right-wing chief executive</b>	0.400* (1.984)	0.454** (2.321)	0.614*** (3.325)	0.480** (2.565)	0.588*** (3.226)	0.660*** (3.815)	0.510*** (2.721)	0.408** (2.198)
<b>Real GDP per capita</b>	-0.053*** (-3.868)	-0.044*** (-3.235)	-0.025** (-2.195)	-0.027** (-2.362)	-0.028*** (-3.034)	-0.025** (-2.368)	-0.020 (-1.634)	-0.023* (-1.848)
<b>Globalization</b>	-0.032*** (-3.325)	-0.024** (-2.258)	-0.021** (-2.130)	-0.019** (-2.118)	-0.013 (-1.445)	-0.017* (-1.865)	-0.019* (-1.819)	-0.010 (-1.191)
<b>Press freedom</b>		-0.017* (-1.937)	-0.011 (-1.181)	-0.014* (-1.683)	-0.013 (-1.288)	-0.012 (-1.421)	-0.007 (-0.730)	-0.010 (-1.015)
<b>Political Rights Index</b>		0.070 (0.657)	-0.027 (-0.241)	0.001 (0.012)	0.021 (0.171)	0.018 (0.190)	-0.101 (-0.796)	-0.019 (-0.144)
<b>Share of Protestants</b>			-0.007** (-2.126)	-0.008** (-2.608)	-0.007** (-2.088)	-0.006* (-1.925)	-0.004 (-1.087)	-0.004 (-1.038)
<b>Ethno-ling. fractionalization</b>			1.021*** (3.515)	0.976*** (3.506)	1.037*** (3.054)	1.150*** (3.728)	0.943*** (2.916)	1.061*** (3.018)
<b>Presidential system</b>				-0.263 (-1.256)				-0.235 (-0.952)
<b>Proportional representation</b>				-0.287 (-1.648)				-0.199 (-0.961)
<b>Number of veto players</b>					-0.021 (-0.324)			-0.019 (-0.266)
<b>Independent judiciary</b>					-0.413 (-1.515)			-0.459 (-1.637)
<b>Party polarization</b>						-0.421*** (-2.757)		-0.234 (-1.336)
<b>Government fragmentation</b>						0.038 (0.104)		-0.047 (-0.112)
<b>Number of yrs party in power</b>							-0.002 (-0.292)	-0.001 (-0.132)
<b>Share of women in parliament</b>							-0.017 (-1.299)	-0.018 (-1.156)
<b>R<sup>2</sup> adjusted</b>	0.724	0.746	0.804	0.820	0.822	0.828	0.810	0.850
<b>Observations</b>	106	105	94	92	91	94	93	89

<sup>1</sup> Hypothesis tests are based on standard errors that are robust to heteroscedasticity

<sup>2</sup> All estimations include dummies for the following world regions: Africa, Asia, Central America, Central and Eastern Europe, Latin America & the Caribbean, North Africa & the Middle East, North America, and Oceania

<sup>3</sup> Stars indicate significance at 10% (\*), 5% (\*\*) and 1% (\*\*\*)

<sup>4</sup> t-statistics in parentheses

#### *4.2. Estimations with interaction terms*

In this section, we investigate whether the effect of right-wing governments on the extent of corruption is affected by political institutions. Therefore, we have conducted a number of regressions that use interaction terms. The results for these estimations are reported in tables 2 and 3 for a total of 94 countries for which data has been available for the relevant control variables.

The results for the interaction terms at the top section of table 2 imply that the effect of right-wing governments on the extent of corruption is reduced when the press has more freedom to for instance investigate corrupt activities of politicians and public officials. Moreover, in more democratic countries where voters have comparatively strong political rights, it is also more difficult for right-wing governments to engage in corrupt activities. On the other hand, the question whether there is a presidential system or proportional representation in place and the number of veto players do not have a significant effect on the extent of corruption due to right-wing governments.

In table 3, we have investigated the significance of five additional interaction terms. The results suggest that an independent judiciary strongly weakens the effect that a right-wing chief executive has on corruption. This effect is significant at the 1% level. Moreover, it appears that when the number of women in parliament is large, the ideological position of the chief executive is also less relevant for the extent of corruption in a country. The coefficient for the number of years that the chief executive's party has been in power is positive with a t-statistic of about 1.2, where we would have expected a significantly positive coefficient. The extent of polarization and government fragmentation also do not have an impact on the relationship identified between right-wing ideology and corruption.

Table 2. Cross-section estimations with interactions: 1984 - 2008 averages for 94 countries worldwide

Dependent variable: Corruption (ICRG)	Model 9	Model 10	Model 11	Model 12	Model 13
<b>Right-wing chief executive</b>	1.817*** (4.181)	1.682*** (4.130)	0.290 (0.997)	0.631** (2.224)	1.016** (2.307)
<b>Right-wing chief executive *Press freedom</b>	-0.022*** (-2.929)				
<b>Right-wing chief executive *Political Rights Index</b>		-0.246*** (-2.855)			
<b>Right-wing chief executive *Presidential system</b>			0.478 (1.216)		
<b>Right-wing chief executive *Proportional representation</b>				-0.297 (-0.787)	
<b>Right-wing chief executive *Number of veto players</b>					-0.151 (-1.044)
<b>Real GDP per capita</b>	-0.025** (-2.178)	-0.024** (-2.154)	-0.027** (-2.508)	-0.024** (-2.177)	-0.025** (-2.238)
<b>Globalization</b>	-0.017* (-1.793)	-0.020** (-2.138)	-0.022** (-2.269)	-0.020** (-2.129)	-0.020* (-1.978)
<b>Press freedom</b>	-0.002 (-0.285)	-0.011 (-1.246)	-0.013 (-1.485)	-0.013 (-1.428)	-0.011 (-1.130)
<b>Political Rights Index</b>	-0.039 (-0.391)	0.059 (0.556)	0.017 (0.142)	-0.003 (-0.029)	-0.021 (-0.164)
<b>Share of Protestants</b>	-0.007** (-2.492)	-0.008** (-2.560)	-0.008** (-2.543)	-0.008** (-2.432)	-0.007** (-1.996)
<b>Ethnolinguistic fractionalization</b>	0.875*** (2.777)	0.888*** (2.811)	0.987*** (3.169)	0.988*** (3.665)	1.041*** (3.354)
<b>Presidential system</b>			-0.489 (-1.648)		
<b>Proportional representation</b>				-0.201 (-0.860)	
<b>Number of veto players</b>					0.036 (0.403)
<b>R<sup>2</sup> adjusted</b>	0.823	0.820	0.812	0.817	0.807
<b>Observations</b>	94	94	94	92	94

<sup>1</sup> Hypothesis tests are based on standard errors that are robust to heteroscedasticity<sup>2</sup> All estimations include dummies for the following world regions: Africa, Asia, Central America, Central and Eastern Europe, Latin America & the Caribbean, North Africa & the Middle East, North America, and Oceania<sup>3</sup> Stars indicate significance at 10% (\*), 5% (\*\*) and 1% (\*\*\*)<sup>4</sup> t-statistics in parentheses

Table 3. Cross-section estimations with interactions continued

Dependent variable:	Model 14	Model 15	Model 16	Model 17	Model 18
Corruption (ICRG)					
<b>Right-wing chief executive</b>	1.009*** (4.154)	0.744*** (3.610)	0.725*** (3.119)	0.382 (1.306)	0.918*** (2.983)
<b>Right-wing chief executive *Independent judiciary</b>	-1.141*** (-2.973)				
<b>Right-wing chief executive *Political polarization</b>		-0.227 (-1.028)			
<b>Right-wing chief executive *Government fragmentation</b>			-0.438 (-0.588)		
<b>Right-wing chief executive *Number of yrs party in power</b>				0.017 (1.190)	
<b>Right-wing chief executive *Share of women in parliament</b>					-0.048* (-1.704)
<b>Real GDP per capita</b>	-0.028*** (-3.163)	-0.025** (-2.423)	-0.025** (-2.214)	-0.023* (-1.903)	-0.016 (-1.285)
<b>Globalization</b>	-0.013 (-1.593)	-0.017* (-1.959)	-0.019* (-1.934)	-0.019* (-1.927)	-0.020** (-2.024)
<b>Press freedom</b>	-0.012 (-1.257)	-0.011 (-1.354)	-0.009 (-0.944)	-0.010 (-1.103)	-0.009 (-0.905)
<b>Political Rights Index</b>	0.015 (0.153)	0.010 (0.107)	-0.043 (-0.387)	-0.079 (-0.596)	-0.060 (-0.486)
<b>Share of Protestants</b>	-0.008** (-2.593)	-0.006* (-1.991)	-0.007** (-2.166)	-0.007** (-2.114)	-0.003 (-0.827)
<b>Ethnolinguistic fractionalization</b>	0.907*** (2.897)	1.167*** (4.113)	1.152*** (4.007)	0.933*** (2.880)	0.924*** (2.951)
<b>Independent judiciary</b>	0.054 (0.170)				
<b>Political polarization</b>		-0.287 (-1.513)			
<b>Government fragmentation</b>			-0.262 (-0.483)		
<b>Number of yrs party in power</b>				-0.012 (-1.155)	
<b>Share of women in parliament</b>					-0.003 (-0.178)
<b>R<sup>2</sup> adjusted</b>	0.838	0.829	0.809	0.807	0.816
<b>Observations</b>	91	94	94	93	93

<sup>1</sup> Hypothesis tests are based on standard errors that are robust to heteroscedasticity

<sup>2</sup> All estimations include dummies for the following world regions: Africa, Asia, Central America, Central and Eastern Europe, Latin America & the Caribbean, North Africa & the Middle East, North America, and Oceania

<sup>3</sup> Stars indicate significance at 10% (\*), 5% (\*\*), and 1% (\*\*\*)

<sup>4</sup> t-statistics in parentheses



## V. CONCLUDING REMARKS

This paper studies whether corruption in the public sector is more likely to prevail when right-wing parties are in power, which is a question that has so far not been investigated in the existing literature. The underlying theoretical link between government ideology and corruption relies on the observation that right-wing governments maintain closer ties to representatives of the private sector in conjunction with the fact that corruption is more likely to occur in a long-term relationship characterized by mutual trust and reciprocity. The first observation can very easily be explained by observing that right-wing politicians often stem from different circles than left-wing politicians and that right-wing politicians to a large extent represent the interests of business people. This makes it very likely that these two groups of people maintain the kind of trusting relationship that fosters illegal activities such as corruption.

The empirical analysis for 106 countries over the 1984 - 2008 period provides strong evidence in favor of this hypothesis. In particular, we find that the extent of corruption is by about 10% larger when right-wing parties are in power rather than left-wing or centrist parties. In addition, we find that this effect is significantly weakened when a country's political system is characterized by a free press, strong political rights, an independent judiciary, and a large share of women in parliament.

As a future extension we propose estimations that rely on alternative measures of corruption and that additionally take into account the time dimension of the data.

## APPENDIX

Table 4: Definitions and sources of variables

Variable	Description	Source
<i>Dependent variable</i>		
Corruption (ICRG)	ICRG Index for corruption as perceived by foreign investors on a reversed scale from 0 (least corrupt) to 6 (most corrupt)	International Country Risk Guide
<i>Explanatory variables</i>		
Right-wing chief executive	Categorical dummy (1 = right-wing, 0 = centrist or left-wing)	Database of Political Institutions (Beck et al., 2001)
Real GDP per capita	Real GDP per capita in US dollars (in thousands)	Penn World Tables 6.3 (Heston et al., 2009)
Globalization	Multi-dimensional globalization index	KOF globalization index (Dreher, 2006)
Press freedom	Index based on an annual survey of media independence scaled from 0 (most free) to 100 (least free)	Freedom House
Political Rights Index	Inverted scale from 1 (least free) and 7 (most free)	Freedom House
Share of Protestants	Protestants as percentage of population in 1980	La Porta et al., 1999
Ethnolinguistic fractionalization	Average measure of ethnolinguistic fractionalization based on five different sources	Easterly and Levine, 1997
Presidential system	Dummy for presidential systems	Database of Political Institutions (Beck et al., 2001)
Proportional representation	Dummy for proportional representation electoral rules	Database of Political Institutions (Beck et al., 2001)
Number of veto players	Number of veto players	Database of Political Institutions (Beck et al., 2001)
Independent judiciary	Dummy variable coded 1 if there is an independent judiciary	POLCON database (Henisz, 2006)
Political polarization	Maximum difference between the left-right-center orientation of the chief executive's party and the placement of the three largest government parties and the largest opposition party	Database of Political Institutions (Beck et al., 2001)
Government fragmentation	The probability that two deputies picked at random from among the government parties will be of different parties	Database of Political Institutions (Beck et al., 2001)
Number of yrs party in power	Party of chief executive has been how long in office	Database of Political Institutions (Beck et al., 2001)
Share of women in parliament	Percentage of women holding seats in the legislature. Original source: Inter-Parliamentary Union (1995; 2005). Note: if the parliament is not unicameral the upper house is used.	Melander (2005)

Table 5: Summary statistics

Variable	Mean	Std. dev.	Minimum	Maximum	Observations
Corruption (ICRG)	2.827457	1.152044	0	5.49	106
Right-wing chief executive	0.3983725	0.3618748	0	1	106
Real GDP per capita (in 1000s)	10.81566	11.09433	0.406434	54.41809	106
Globalization	53.6094	16.68858	23.57335	88.88687	106
Press freedom	60.29702	21.73649	5.625	92.125	105
Political Rights Index	5.015728	1.816055	1.08	7	105
Share of Protestants	14.13846	23.49004	0	97.8	104
Ethnolinguistic fractionalization	0.3287246	0.3016928	0	0.8902469	94
Presidential system	0.514062	0.4644721	0	1	106
Proportional representation	0.6850744	0.4538397	0	1	104
Number of veto players	3.124487	1.400918	1	8.36	106
Independent judiciary	0.4923209	0.4185681	0	1	102
Political polarization	0.5648868	0.658294	0	2	106
Government fragmentation	0.2159853	0.1989023	0	0.7676519	106
Number of yrs party in power	9.980177	9.55481	1.9	47	105
Share of women in parliament	11.43124	7.606157	0.6631579	36.71579	104

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