

International Integration and National Corruption

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Abstract

Our thesis is that greater degrees of international integration lead to lower levels of corruption, defined as the misuse of public office for private gain. We theorize that international factors affect a country's level of corruption through two principal channels. One acts through economic incentives, altering for various actors the costs and benefits of engaging in corrupt acts. The second mode is normative. Prevailing norms in international society delegitimize and stigmatize corruption. Countries that are more integrated into international society are more exposed to both economic and normative pressures against corruption. We therefore test the following hypothesis: *The more a country is tied into international networks of exchange, communication, and organization, the lower its level of corruption is likely to be.* The analysis of data from approximately 150 countries strongly confirms our expectation. The article makes two primary contributions. First, it demonstrates empirically that national corruption levels are significantly affected by international factors. Second, it distinguishes, theoretically and empirically, the effects of economic and normative influences.

International Integration and National Corruption

Societies that are open to the rest of the world import not just goods and capital, but also ideas, information, and norms. Such cross-national interactions alter those who participate in them. Sometimes the changes are subtle, as in the way people dress or the music they listen to. But international transactions can also promote major policy shifts (Haas 1989; Haas 1992; Finnemore 1993; Keck and Sikkink 1998) and reshape the domestic economies and politics of countries (Gourevitch 1978; Gourevitch 1986; Rogowski 1989; Murphy 1994; Keohane and Milner 1996). In this article, we add to the lines of scholarship that trace the domestic consequences of international integration. We suggest that international interactions can affect norms and practices that would seem, at first glance, to be determined by local social and cultural factors. Levels of corruption, for instance, clearly have powerful domestic determinants. We will argue that a country's corruption level is also significantly affected by international influences.

Our thesis is that greater degrees of international integration lead to lower levels of corruption, defined as the misuse of public office for private gain. We theorize that international factors affect a country's level of corruption through two principal channels. One acts through economic incentives, altering for various actors the costs and benefits of engaging in corrupt acts. The second mode is normative. Prevailing norms in international society delegitimize and stigmatize corruption. Countries that are more integrated into international society are more exposed to both economic and normative pressures against corruption. We therefore test the following hypothesis: *The more a country is tied into international networks of exchange,*

communication, and organization, the lower its level of corruption is likely to be. The analysis of data from approximately 150 countries strongly confirms our expectation.

The article makes several contributions of potential interest to scholars of international and comparative politics. First, it solidifies the case that international interactions significantly affect domestic practices. Second, the paper advances propositions regarding the impact of international norms. One challenge facing research on norms has been to discern the separate effects on behavior of utility calculations and of normative considerations (appropriateness, or fit). This study distinguishes, theoretically and empirically, the effects of international economic and international normative influences. The study also offers an argument, supported by empirical analysis, as to why the effects of international norms vary across states: countries that are more integrated internationally are more likely to be socialized into international norms.

The first section of the paper lays out the theory and defines key terms and concepts. The subsequent section defines corruption and how it can be measured, and summarizes existing research about the determinants of corruption. The third section assesses international anti-corruption norms. The fourth section reports the data analysis, in which we test our hypotheses. A conclusion draws out key implications.

Norms, utility, and choice

Actors are motivated both by the desire to enhance their well-being and by the desire to act in appropriate, or justifiable, ways. The quest to be better off involves the familiar form of economic rationality, in which actors calculate the expected payoffs of various options and choose the course of action that will produce the greatest benefits, as they define them. The desire to behave in justifiable ways calls on a different form of rationality, one attuned to social

norms. In normative rationality, actors endeavor to determine the appropriate behavior given the situation, their role position, and the relevant rules (March and Olsen 1989). We see the two modes of rationality not as mutually exclusive but rather as complementary. Our premise is that people constantly and routinely reason about both utility and norms, and that both kinds of considerations affect their choices. Even seemingly straightforward decisions regarding economic wellbeing can have normative dimensions. Many consumers are willing to pay more for “environmentally friendly” cars or refrigerators because they adhere to norms of ecological responsibility. Actors may even develop complex ways of balancing norms and utility, such that one need not prevail at the expense of the other. In any case, we assume that actors are both “utility-rational” and “norm-rational.”¹

Though a great deal of recent research seems to insist on either a utility-based perspective or a normative (or constructivist) one, some scholars have sought to incorporate both sets of motivations into their analyses. With respect to corruption, Susan Rose-Ackerman, the author of the first comprehensive statement of the political-economy (utility-based) approach, usefully points out that social scientific studies of corruption must take into account the normative dimension. Though her book focuses on the structure of material incentives, she notes that the “economic approach to politics . . . cannot explain the origination and transmission of the democratic and personal ideals required to preserve a functioning mixed economy” (Rose-Ackerman 1978: 5,6). Sandholtz and Koetzle (2000: 36) argue that both material incentives and cultural norms enter into choices about corrupt acts. Abbot and Snidal emphasize the “deeply intertwined interaction of values and interests,” and argue that “the seemingly competing logics of consequences and appropriateness are in fact necessary complements” (Abbot and Snidal

¹ The interaction between utility-based and norm-based modes of reasoning seems poorly understood, but a useful theoretical treatment of it would take us far beyond the scope of this paper.

2001: 2, 3). They go on to show how “interest actors” (driven primarily by utility calculations) and “value actors” (motivated by normative commitments) played crucial roles at various stages in the development of the 1997 OECD anti-bribery convention. In this paper, we develop measures that allow us to observe and distinguish the effects on corruption levels of both economic (utility) and normative factors, and assess those relationships quantitatively for a relatively large set of countries.

Utility, norms, and international society

The distinction between norms and utility is an analytical one; in reality, utility and norm considerations are almost certainly intertwined. We also suggest that normative and utility factors operate on multiple levels of analysis. Some are located at the domestic level (political institutions, economic freedom), whereas others operate at the transnational or international level (flows of trade and investment, international organizations). Our objective is to assess the international factors that might affect national corruption levels; we include domestic factors, which have been studied in previous research, as control variables.

Scholars have identified multiple channels and mechanisms whereby international factors produce domestic effects. Among these are: international economic crises (Gourevitch 1986); the openness of international markets (Rogowski 1989); shifts in relative prices in international markets (Frieden and Rogowski 1996); transnational epistemic communities (Haas 1989; Haas 1992); transnational networks of activists and advocacy groups (Risse-Kappen 1995; Keck and Sikkink 1998; Brysk forthcoming); and international and supranational organizations (Murphy 1994; Finnemore 1996; Sweet and Sandholtz 1998). Though the modes of international influence are quite diverse, in fact we can categorize them according to the norm/utility

distinction.

Economic modes of international influence on domestic outcomes are those that operate through changes in relative prices; rational actors seeking to maximize their material wellbeing make choices on the basis of changing balances of costs and benefits. Some international transactions increase the costs of corrupt acts, or decrease their payoffs. Normative modes operate differently, through social standards of appropriateness and fit. International normative factors are those that establish standards of conduct, in this case, that delegitimize and stigmatize corrupt practices. International norms condemn corruption not just by pointing out its costs but by establishing that it is wrong. For instance, if there were a transnational consensus that corruption is wrong because it undermines democratic values of openness and equality, that would count as an international normative factor.

International norms are an intrinsic part of international society. We define international society as a social system consisting of people and groups who interact across or outside of state borders, plus the rules that constitute their relationships and govern their interactions. Whereas Hedley Bull regarded states as the primary and essential units of international society, we take a more encompassing view. The participants in international society thus include governments (predominantly national but also those of sub-national units for some purposes); international governmental organizations (global and regional) (Onuf 1994; Finnemore 1996); international non-governmental organizations and networks (Lipschutz 1992; Wapner 1996; Keck and Sikkink 1998; Brysk forthcoming); domestic groups and organizations (including business firms); and individuals who migrate, travel, or communicate across borders.

Just as every society is defined in part by its membership, it is also defined by its rules (Bull 1995: 13). Like all social systems, international society is fundamentally and pervasively

rule-structured. Rules (or norms) are statements that identify standards of conduct (Williams 1968: 204; Cancian 1975: 1; Klotz 1995: 14; Katzenstein 1996: 5; Finnemore and Sikkink 1998: 891).² They perform both constitutive and regulative functions, defining various roles and delineating parameters of acceptable conduct for the inhabitants of those roles. Rules are indispensable for human interaction at any level. As Nicholas Onuf puts it, “People need rules for all but their most transient exchanges. When they confront the necessity of dealing with each other without knowing if they follow the same rules, they learn what they commonly know and make what other rules they need” (Onuf 1996: 9; see also Kratochwil n.d.). When actors come from diverse societies and national legal systems, the need for finding or creating common rules is even more urgent.

Recent years have witnessed an upsurge in research on international norms. Most of this work has focused on demonstrating that norms “matter” (meaning that they exercise independent causal force) or on tracing the emergence of specific international rules.³ We draw on a less developed subset of this literature to develop a theory that would allow us explain variation in the effects of norms across countries. We argue that international norms have a variable effect on national (domestic) norms, depending on the extent to which countries are integrated into international society. Countries with more cross-border interconnections – economic, social, and political – are likely to be more socialized into international norms. To the extent that there exist international norms against corruption, countries that are more integrated internationally are likely to be less corrupt.⁴

² We use the words “norm” and “rule” interchangeably, as is standard practice in legal writing and common in sociology. Both are statements that identify standards of conduct.

³ This literature is now so extensive that any reasonably short list of citations would inevitably omit important pieces. In any case, most readers will immediately be able to call to mind a plausible bibliography of works in this area.

⁴ On socialization in international relations, see Finnemore (1993: 593; 1996: 128), Ikenberry and Kupchan (1990: 291), Cortell and Davis (1996; 2000: 81), Koh (1998), Luard (1986: 15), and Wendt (1999).

Corruption

Corruption is the misuse of public office for private gain. This usage is congruent with Nye's widely used definition of corruption as "behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains" (Nye 1989: 966). Furthermore, our definition of corruption coincides with the one used in compiling the corruption scores that we use in the data analysis.

The principal, and perennial, objection to deploying a universal definition of corruption is that it obliterates the patent differences in how specific societies define corrupt acts. That is, practices that are considered corrupt in one society may be acceptable in another. A related objection is that the general definition is essentially a Western one, and that it distorts social realities by forcing non-western cultures into Western categories. Indeed, the private-public distinction itself may be a Western invention.

We would respond with two lines of argument. First, if one were to concede the irreducible cultural particularity of standards of corruption, then comparative, cross-national research on the topic would be impossible (Bayley 1989: 938), as some might argue that it is. But the logic is not compelling on scientific grounds. Indeed, it is ordinary scientific practice to define analytic categories whose utility is precisely that they permit comparative analysis. The key is to define those behaviors that will count as corrupt for the purposes of the study. In other words, for the purposes of this study, corruption consists of bribery, kickbacks, extortion, misappropriation, nepotism, and other practices that use public office for private gain. We can attempt to measure (always imperfectly) the perceived prevalence of these practices in various

countries, without claiming that they are considered inappropriate in every local culture.

But second, we would turn the objection around on itself, to insist that cultural variation in definitions of corruption be demonstrated, not simply asserted as a logical possibility. In fact, we would argue that the Western definition of corruption has become practically global.

Through colonial ties at first and transnational interactions subsequently, Western notions of what constitutes acceptable conduct in public office have spread to almost every corner of the earth. In that limited sense, we agree with the critics: Western norms have prevailed. Thus there are, in actual practice, highly similar definitions of corruption across almost all countries, even when the standards are violated more in some societies than in others (Scott 1972: 8; Klitgaard 1987: 3; Bayley 1989: 938-39; Nye 1989: 967). Anti-corruption campaigns in non-Western countries target the same kinds of practices that Western norms condemn (Palmier 1985; Quah 1989). And if there are local cultures in which the public-private distinction means nothing and personalistic or patronage relationships are normal and accepted, then, we would predict, those societies are likely to be the least integrated into international ties of association, communication, and exchange.

Causes of corruption

Combining the norm/utility dimension with the domestic/international dimension yields four categories of independent variables. Table 1 depicts the categories, with the independent variables placed in the appropriate boxes. In this section we briefly discuss the theoretical rationale behind each variable. The domestic factors have been studied more thoroughly in previous research; we therefore discuss them first and more briefly. The international variables receive greater attention because more of the arguments are new.

Table 1: A schematic of explanatory variables

		Type of rationality	
		Economic (utility)	Norm
Level of analysis	Domestic	Economic development Government economic intervention Democracy	Continuous democracy Protestantism Catholicism Islam British colonial heritage
	International	Trade Foreign investment Related transnational flows IMF credits	IO memberships World Bank involvement Corruption levels of bordering countries

Domestic-economic factors

Previous research has identified a number of domestic-level factors that influence the expected costs and benefits of engaging in corrupt acts; we summarize those arguments briefly here. Average income has a clear inverse relationship with corruption levels (Lipset and Lenz 1999; Sandholtz and Koetzle 2000; Treisman 2000). Treisman, recognizing that the causation can flow in both directions (corruption retards economic development), deployed a proxy for development level (distance from the equator) and found that it too was inversely related to corruption. This strongly suggests that higher average incomes do in fact reduce corruption (Treisman 2000).⁵

A second argument relates to the extent of government intervention in the economy. Greater state management of the economy means that public officials determine who will enjoy

access to economic resources and opportunities. Thus bribery, extortion, payoffs and kickbacks become viable means of influencing the distribution of wealth. Or, as Scott puts it, “the larger is the relative size and scope of the public sector, the greater will be the proportion of certain acts that will meet our criteria of corruption” (Scott 1972; see also Tanzi 1998). Where economic wellbeing depends on markets, payoffs and bribes are less likely to be the means of enrichment. A high level of government economic intervention thus implies potential benefits from corrupt acts (Sandholtz and Koetzle 2000: 37).

Finally, democratic institutions, including free elections, political competition, and freedoms of speech and the press, provide some utility-based constraints on corruption behavior. Simply put, basic freedoms and electoral competition make it more likely that corrupt acts will be discovered, publicized, and sanctioned. Citizens of democracies have more tools for unearthing corruption (investigative journalists, parliamentary inquiries); corruption is harder to keep secret in an open society. Furthermore, citizens can vote out of office politicians who are tainted. In addition, elected officials, who are sensitive to public opinion, have incentives to respond to revelations of corruption by conducting hearings, demanding legal proceedings, and passing new laws. The more extensive are democratic freedoms and the more effective are democratic institutions, the greater will be the deterrent to corruption (Sandholtz and Koetzle 2000; Treisman 2000). Democracy has a normative dimension as well, which we discuss in the next section.

Domestic-normative factors

Normative factors at the domestic level have to do with elements of culture. Political cultures, in Eckstein’s formulation, provide people with “orientations to action,” or “general

⁵ For a theoretical argument as to why this is the case, see Sandholtz and Koetzle (2000: 36-37).

dispositions to act in certain ways in sets of situations.” Actors learn these orientations through a process of “cultural socialization” (Eckstein 1988: 790, 791).

Protestantism appears to be an important cultural determinant of corruption. Previous scholarship has shown that the higher the percentage of a country’s population with protestant affiliation, the lower its level of corruption tends to be (Lipset and Lenz 2000; Sandholtz and Koetzle 2000; Treisman 2000). Multiple logics could underlie this relationship. One possibility is that protestant religions infused societies with a strong sense of individualism and responsibility. Members of protestant societies might be more inclined to monitor and challenge public officials than citizens in societies where the dominant religions emphasize hierarchy and submission to authority (Catholicism, Islam). Lipset and Lenz point to protestantism’s greater emphasis on individual rectitude and responsibility.

British heritage is a second cultural factor that has a negative relationship with corruption. Treisman finds that a dummy variable for Britain and its former colonies is negatively related to corruption and significant (Treisman 2000). The explanation is that in Britain and societies influenced by British colonial ties there is a powerful norm of respect for, and careful adherence to, procedures and rules. The emphasis on procedural propriety contrasts with societies that place a higher value on respect for hierarchical office.⁶

Finally, as Sandholtz and Koetzle argue, there is an important normative aspect of democracy (Sandholtz and Koetzle 2000). Indeed, the utility-based argument on democracy presumes certain normative prerequisites. Rose-Ackerman, who favors an economic approach, explicitly argues that “if one wants to understand the functioning of democracy, it will not be possible to follow the conventional economist’s inclination to ignore moral constraints upon self-

⁶ Sandholtz and Koetzle (2000), however, do not find the effect of British colonial heritage to be statistically significant.

seeking behavior,” and that certain kinds of “political virtue” and “moral beliefs” are necessary in both publics and politicians (Rose-Ackerman 1978: 216, 233-34). In an empirical study, Della Porta and Pizzorno found that “variations in the density of corruption depend more on variations in the willingness of people to be corrupted, and therefore on what we would prefer to call the moral cost (as seen by them) of participation, than on the structure of opportunities” (Della Porta and Pizzorno 1996: 87).

Democratic norms imply that all citizens should enjoy equality of opportunity before the state; that the public business should be conducted openly, not in secret; that public office should not be a vehicle for private enrichment; and public office entails a duty to the collective good. Corruption perverts each of these norms. In contrast, where such norms are strong, people will regard corrupt practices as improper and illegitimate. Democratic norms should therefore produce lower levels of corruption for any given structure of opportunities. Indeed, the openness and political competition associated with democracy will not reduce corruption unless social norms condemn it. In other words, the utility-based effects of democracy on corruption depend on a prior normative consensus.

For purposes of analysis, the challenge is to find a means of separating the utility-based and norm-based effects of democracy. Following Sandholtz and Koetzle, we deploy one measure to assess the extent of current democratic practices and another to capture the normative dimension of democracy. This should allow us to distinguish the utility-based from the normative constraints on corruption. If democratic mechanisms like free press and electoral competition are in place, then the instrumental effects of democracy in reducing corruption should occur. If a population has been socialized into democratic norms, then the normative influence of democracy on corruption should be independently observable. We assess the

normative dimension of democracy through the notion of socialization. The longer a country has experienced continuous democratic rule, the more deeply rooted the associated norms and values should be. That is, we expect to find a socialization effect, through which democratic norms are transmitted from one generation to the next (Eckstein 1988). A longer history of democracy implies that democratic norms have diffused more broadly in a society. More years of uninterrupted democracy should tend to reduce corruption.

International-economic factors

Cross-national economic transactions can penalize corrupt societies and, sometimes, individuals. Thus existing research finds a significant inverse relationship between international trade and corruption levels (Sandholtz and Koetzle 2000; Treisman 2000). Corrupt practices can perpetuate themselves more easily in closed economies, which by definition are cut off from the competitive pressures that openness brings. Or, put differently, the more open a country is to international economic activities, the more apparent will be the costs of corruption.⁷ Those costs are borne both by the economy as a whole and by individual actors. The whole society suffers the costs when international investors decline to invest in a country because they are averse to the marginal costs, and the element of arbitrariness (a form of risk), that corruption imposes. In that case, the economy as a whole pays higher prices for capital and investment suffers. A corrupt society also pays the price in trade. If we think of bribes, kickbacks, extortion payments, and speed money as a sort of (illegitimate) tax, then that tax adds to the costs of local producers who have to pay it. Other things being equal, local producers will be that much less competitive in international markets than rivals who do not have to pay bribes. Or, on the import side, if

foreign producers and domestic importers have to make payoffs, then the prices of imports (and therefore their domestically produced counterparts) will be higher, again imposing a deadweight loss on the economy.

By the same logic, we can describe the costs of corruption for individual actors in an open economy. For local producers and importers, the bribery tax is a marginal cost. But under conditions of international economic competition, companies so taxed will experience returns lower than those prevailing elsewhere, resulting in lower profits and possibly extinction. Domestic firms seeking foreign capital may not be able to secure it, or will at least have to pay premium for it. Finally, corrupt officials would also feel the pinch of international openness. Open international trade and investment removes from the hands of officials certain administrative goods (licenses, permits, waivers, and the like) that they could otherwise exchange for private rewards (bribes, kickbacks). Furthermore, because bribe paying companies are precisely those that suffer from international competition, officials may find that the pickings become increasingly slim.

In short, we expect greater involvement in international trade and investment, along with the cross-border communications and travel that are associated with them, to be associated with lower levels of corruption.

International-normative factors

Though the forms of corruption at issue in this article have long been taboo in the more developed countries, they became the object of a broad, highly publicized, transnational anti-corruption campaign in the mid- and late-1990s. A variety of international organizations, as well

⁷ It bears keeping in mind that this is not an argument that open economies are immune to corruption. Nor does a case like Italy (open economy, high corruption) refute the general point. International economic interactions are

as transnational activist networks, adopted and promoted anti-corruption norms. Our intent is not to demonstrate how specific organizations “taught” specific norms to specific countries; our quantitative approach would not permit the detailed, process-tracing case studies that such an approach would require.

Our argument, rather, will be that norms against corruption were actively publicized by, and in some cases incorporated into the institutional policies and programs of, a variety of international organizations. We hypothesize that the more a country is involved in those organizations, the more likely its elites are to have absorbed some of the anti-corruption norms. Thus, though we expect participation in international organizations to be associated with lower corruption levels, we recognize that the effect will be difficult to detect; the policies of IOs must filter down into the practices of lower-level officials and economic actors.

Still, countries that are members of multiple international organizations, where anti-corruption norms are discussed and promoted, are more likely to absorb those norms. Two international organizations, the International Monetary Fund (IMF) and the World Bank (WB) also disburse significant financial resources, and might therefore have a more direct effect on corruption in recipient countries. Measuring that effect, however, is not straightforward. In fact, we know from previous research that wealth (GDP per capita) is powerfully related to corruption levels. Countries receiving large doses of IMF and WB funds might actually be more corrupt, because they tend to be relatively poor. That is, low-income countries tend to have higher corruption levels and to receive more IMF and World Bank assistance. But there is a potentially observable difference between the two IOs. The World Bank has actively promoted anti-corruption norms; the IMF came to the issue later and less aggressively. We place the IMF in the economic column because the “good governance” conditions attached to its lending

only one determinant of corruption; the influence of economic openness can be more than offset by other factors.

agreements constitute an economic incentive. We place the World Bank in the normative column because of its activist role in propagating anti-corruption norms.

Finally, not all kinds of international interactions will have corruption-reducing effects. If one country, for instance, interacts extensively with a second country that is pervasively corrupt, those international links might tend to foster corruption in the first country. Thus there should be a positive relationship between a country's corruption level and that of the countries with which it shares borders. That border relationship, we argue, exercises its effects primarily through normative channels. Three considerations support that assertion. First, countries often share cultural affinities with their immediate neighbors; that is, there are shared values, norms, and practices within geographic regions.⁸ On average, countries are likely to share values and norms with their closest neighbors. By assessing the effect of corruption levels in bordering countries, we tap into one aspect of regional cultural groupings. Second, people are more likely to travel to, or meet people from, neighboring countries. These kinds of personal contacts are also modes of cultural and normative transmission, and attitudes toward corrupt practices can follow those channels. Third, we will attempt to measure the effect of the average corruption level of bordering countries while controlling for international trade and investment; if we find a significant effect, we can then plausibly interpret it as capturing not economic incentives but normative influences.

In the following pages, we summarize the major features of the transnational anti-corruption campaign of the mid- and late-1990s. Mlada Bukovansky calls the campaign a regime, though she also notes that "it is too early to address the question of regime effectiveness"

⁸ This is not to say that widely separated countries cannot have strong cultural affinities (as do Australia and Britain), only that close geographic proximity is likely to be associated with cultural similarities.

(Bukovansky 1999:2). We report on the transnational activities as evidence not of a regime with effective enforcement powers, but rather of prevailing norms in international society.

a. International organizations

The United States provided the impetus for enunciating in international organizations clear norms against corruption. The 1977 Foreign Corrupt Practices Act (FCPA) prohibited U.S. companies from offering bribes to foreign officials. The FCPA also had some transnational reach, as the U.S. Securities and Exchange Commission could prosecute foreign firms for violating its provisions, if their stock traded on American exchanges (Bencivenga 1997: 5). From the beginning, American firms complained that they were disadvantaged by the rule when competing against non-U.S. corporations that were not subject to similar laws (Glynn, Kobrin et al. 1997: 18; George, Lacey et al. 1999). American officials thus began in the mid-1970s to propose international rules against corruption, but initiatives in the United Nations and the OECD produced no concrete results (Pieth 1997: 122). It was not until the mid-1990s that international organizations began to adopt anti-corruption standards.

Renewed American activism led to the **OECD's** "Recommendation on Bribery in International Transactions" (1994), a non-binding call for FCPA-style prohibitions against bribing foreign officials, and to the creation of an OECD Working Group on Bribery. In the summer of 1996, formal negotiations began on a binding Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; the Convention was signed by 34 states (the OECD members plus Argentina, Brazil, Bulgaria, Chile, and the Slovak Republic) in December 1997 and came into force in February 1999. In addition, a 1996 OECD Recommendation urged member-states to abolish tax deductions for foreign bribes; since then,

all OECD members have either done so or moved in that direction. The OECD's Development Assistance Committee (DAC) has agreed that all bilateral, aid-funded procurement contracts will include anti-corruption provisions. Finally, the OECD has entered into anti-corruption collaborations with the EU, USAID, the United Nations Development Program, and the Asian Development Bank (George, Lacey et al. 1999; Johnston 1999).

Though the OECD was the initial forum for the transnational anti-corruption campaign, the **World Bank** has become the most important IO "teacher of norms." The World Bank for most of its existence refrained from any serious targeting of corruption in the states it dealt with because its charter barred it from "political" activities, and perhaps also because Bank officials feared a rich-world backlash against its funding if widespread corruption were revealed in its projects (Rose-Ackerman 1997; Tamesis 1997). Three factors produced the Bank's change of policy in the mid-1990s. First, the major industrialized states became more actively engaged against corruption. Second, a growing literature about the purely *economic* costs of corruption allowed the Bank to cast anti-corruption programs as development priorities rather than political crusades (Theobald 1990; Mauro 1995; Bardhan 1997; Jain 1998; Tanzi 1998). Third, Bank President James Wolfensohn took up the anti-corruption cause upon his appointment in 1995 (Brademas and Heimann 1998). In 1996, the Bank revised its general guidelines to state clearly that corruption was grounds for canceling a contract. It also invited the NGO Transparency International (which was founded by World Bank officials; see below) to help develop its anti-corruption strategy. Together they produced a comprehensive program, which took effect in 1997, of strong controls to prevent bribery in Bank-financed projects and to assist governments to promote reforms (Rose-Ackerman 1997; Brademas and Heimann 1998). This has become a central part of the Bank's lending conditionality (Pieth 1997: 127).

In addition, since 1995 the Bank has sponsored an array of anti-corruption programs, mostly housed in the Bank's Economic Development Institute (EDI) and generally run in collaboration with Transparency International. These programs, which were active in 15 countries by 1999, establish a "National Integrity Steering Committee" (NISC) to bring together "stakeholders" in reforms (government, judiciary, NGOs, business) and often create an administrative "National Integrity Unit" to support this committee. These bodies, along with the EDI, then survey business and consumers to diagnose where corruption is taking place, help governments develop clearer and safer tax, customs, and procurement codes, and run workshops to train officials and citizens to see and prevent corruption. A major focus of the latter is programs to train journalists to use investigative journalism against corruption. The first such programs, in Uganda and Tanzania in 1995, were attended by 70 percent of print journalists and editors in these countries (Rose-Ackerman 1997; Langseth 1999; Rose-Ackerman 1999). EDI has also mounted a series of regional conferences on "good governance" around the world. The World Bank's explicit policy is to build transnational coalitions – "an interactive partnership with government and civil society" – to fight corruption (Langseth 1999).

The **International Monetary Fund (IMF)** has followed the World Bank's lead on corruption, and sought to exert leverage through loan conditionality. The IMF first focused publicly on corruption in fall 1996, within its September declaration on "Partnership for Sustainable Growth" and a joint statement by IMF head Michel Camdessus and World Bank president Wolfensohn at the combined IMF-World Bank meetings (Elliot 1997: 212). At the same time, it adopted stringent guidelines for public sector transparency and accounting as part of its standard conditionality (George, Lacey et al. 1999). In 1997 the IMF announced its new set of policies against corruption (International Monetary Fund 1997).

The **United Nations** General Assembly has taken at least a rhetorical stand against corruption in recent years. In 1996, the US delegation proposed a UN declaration calling for international transparency in accounting standards, elimination of bribe tax deductibility, and international cooperation in corruption investigations; a broad version of this appeared in a UN Declaration in December 1996, and in a Resolution passed in July 1997 (Cockcroft 1998; George, Lacey et al. 1999). The UN Development Program (**UNDP**), however, has been more active on the corruption front. It created a new Management Development and Governance Division (MGDG) in 1995. MGDG focuses its efforts on national Programs for Accountability and Transparency (PACTs) which are similar to the “Integrity Systems” encouraged by the World Bank (Tamesis 1997). The UNDP has also convened regional meetings and workshops and published papers on corruption.

The **World Trade Organization**, at U.S. insistence, included in the Uruguay Round agreement a Government Procurement Agreement on transparency, openness, and due process in procurement, but it was a voluntary addendum to the overall agreement, and has only been signed by 30-40 members. American efforts to make the agreement obligatory have led to the creation of a Working Group on Transparency in Government Procurement in 1996 (Leiken 1996; Cockcroft 1998). Finally, the largely technical **World Customs Organization** has added its small voice to the chorus. In 1993 its 150 members agreed on a code of integrity listing vague steps to prevent corruption, in the “Arusha Declaration.” It has since specified detailed Customs Reform and Modernization plans to serve as models for country policies, and offers to send international customs experts to help countries adopt them (Shaver 1997).

Regional IOs have also taken up the anti-corruption theme. Though the OECD was the first international organization to place corruption on its agenda, the first binding international

agreement emerged from the **Organization of American States (OAS)**. At the March 1994 OAS summit, the United States made anti-bribery cooperation a high priority. Ecuador and Venezuela joined with the U.S. in advocating an international agreement (Elliot 1997: 217). The result was the “Inter-American Convention Against Corruption,” signed in 1996, which requires signatories to adopt legislation “roughly equivalent” to the American FCPA (George, Lacey, and Birmele 1999). The Convention also provides procedures for cooperation in extradition, seizure of assets, international legal and technical assistance, and increased transparency in government procurement (Eizenstat 1998).

The **Council of Europe** joined the emerging movement against corruption in 1994, setting up a Multidisciplinary Group on Corruption (known as the GMC) after its meeting in Malta in June 1994. This group includes state experts plus representatives from various international and regional organizations and NGOs. The Council also provides technical assistance to Eastern European countries on corruption issues and legal reform, working with the World Bank programs. Most recently, the Council produced a Civil Law Convention on Corruption that criminalizes all forms of bribery and creates a monitoring group among the signatories called the Group of States against Corruption (or GRECO). The Convention was opened for signature in January 1999, and 27 countries had signed as of late 1999 (Council of Europe 1999).

The **European Union** has been a follower in the anti-corruption movement. In December 1994, soon after the first OECD Recommendation, the Council of Ministers adopted a resolution criminalizing bribery. In July 1995 the ministers adopted a Convention on the Protection of the European Communities’ Financial Interests, a Protocol which required member-states to punish bribery that related to EC affairs – but only EC affairs. In 1996 the

Italians introduced a draft Convention to make this prohibition general to all affairs within the member-states or the EU. This was adopted in May 1997, along with a comprehensive Union Policy Against Corruption that criminalizes all bribery (even outside the EU, like the FCPA) and calls for anti-corruption programs with all the countries which have cooperation or assistance agreements with the EU.

Finally, the regional development banks have adopted policies similar to those of the World Bank (Brademas and Heimann 1998). The **OSCE** has begun discussions to consider what steps it can take to fight corruption, and **APEC** has begun to discuss non-binding principles on government procurement.

b. International non-governmental organizations

At the center of international anti-corruption activities since their emergence in the early 1990s has been a non-governmental organization, **Transparency International** (TI). A group of World Bank officials left the Bank in 1993 and founded TI, with headquarters in Berlin. Initial funding came from USAID. TI's primary purpose is "to build broad coalitions against corruption" (Eigen 1996). The group has pursued this goal by establishing links among IOs, national governments, NGOs, and companies, and by mobilizing domestic actors to fight corruption through TI national chapters (of which over 70 now exist). The "National Integrity Systems" promoted by the World Bank embody the TI approach. Another of their ideas has been to create "Islands of Integrity," where competing firms in a specific market enter into an Anti-Bribery Pact (Eigen 1996). In 1995 TI began publishing the Corruption Perceptions Index, in part to bring attention to corruption problems and prod governments to enact reforms.

TI has participated in virtually all of the anti-corruption programs developed by international organizations. For instance, the Vice President of Ecuador, Alberto Dahik, who strongly supported U.S. proposals for an anti-corruption convention, was then chairman of the Advisory Council of Transparency International. More significantly, TI helped to draft the World Bank's corruption plan in 1996-7 and assisted in developing the OECD Convention and UNDP programs. Its Brussels representative sent several memos to the EU in 1995 and 1996, successfully urging further development of the EU's anti-corruption provisions (Frisch 1999). Some of its national chapters have been very active, in India, Panama, and Bulgaria, for instance (Coté-Freeman 1999).

The **International Chamber of Commerce** (ICC) has also participated in many of these international projects, though generally in an advisory role rather than a leading one. In 1994, in response to the wave of bribery scandals in Germany, Japan, France, and Italy, the ICC created a committee to make new recommendations on bribery (Heimann 1997). These appeared in 1996 as the first major revision of its original guidelines for business conduct, and were modeled on the FCPA (George, Lacey et al. 1999). The ICC was also closely involved in the negotiation of the OECD Convention in 1997 (Johnston 1999). A similar group, the **World Economic Forum** (the largest international group of CEOs), called for cooperative action against corruption at its meeting in 1995, and established a Davos Group on the subject. The **International Bar Association**, adopted a resolution favoring FCPA-style rules in June 1996, and has offered legal advice to aid reform in transitional and developing economies (Glynn, Kobrin et al. 1997: 16). The **International Federation of Accountants** has published discussion papers calling for cooperation to make accounting rules more transparent (Harding 1999).

In sum, beginning in the mid-1990s, a transnational anti-corruption campaign emerged and gathered momentum. It developed dense networks of transnational activist groups, international organizations, national governments, and domestic actors. Their efforts have been tightly interlinked. For example, representatives of the EU, the OAS, the World Bank, and the Council of Europe regularly attend meetings of the OECD Working Group on Bribery as observers (Pieth 1997). Essentially all of the conferences and workshops on corruption are sponsored by and bring together officials of most of the major international organizations, with the leading NGO, Transparency International, knitting them together through its ubiquitous involvement. The various members of this transnational network come together every other year in the International Anti-Corruption Conference (IACC), which established an IACC Council in 1996. Since then, Transparency International has served as the Secretariat to the IACC Council and has thus played a central role in organizing the most recent Conferences, the Eighth, in Lima, Peru in 1997, and the Ninth, in Durban, South Africa in 1999.⁹

The result of the activities of these international organizations and NGOs has been the creation of a rudimentary international anti-corruption regime, embodied in international agreements (like the OAS and OECD conventions) and in the operating policies and practices of international organizations like the World Bank and the IMF. We present this overview of the regime not to argue that it is enforcing anti-corruption rules; this article is not about regime enforcement. In any case, the components of the regime have not been in place long enough to have a major impact on practices that may be deeply entrenched in some societies. Rather, we describe the regime to demonstrate the existence of international anti-corruption norms. The

⁹ The IACC web site includes information about the organization of the conferences, as well as the papers presented and the resulting communiqués. The site is located at: <http://www.transparency.de/iacc/index.html>.

norms, in fact, pre-date the international conventions and campaigns, which represent an effort to publicize, diffuse, and strengthen the norms.

Data and methodology

The conversion of the theories and hypothesis discussed here into quantitative measures required some specialized data. This study would not be possible without the efforts of Transparency International, which has produced annual corruption scores for as many as 97 countries since 1995, and those of the World Bank, with its World Development Indicators.¹⁰

The Transparency International Corruption Perceptions Index (CPI) is an aggregated, standardized “poll of polls” of experts, international business people, and citizens of each nation covered. Every score thus captures the perceptions of both foreigners and nationals of the country being assessed – including at least one general population survey in each country. Transparency International defines corruption as we do: “the misuse of public power for private benefit.” The Index assigns a score, ranging from 10 (most corrupt) to 0 (least corrupt),¹¹ to each country in each year. The Appendix contains a more detailed explanation of Transparency’s methods, as well as the country scores themselves.

Though the CPI is based on subjective perceptions, we believe it is the best available proxy for the actual level of corruption in a country and possibly the only current means by which to do a comparative large N study of corruption for any broad period of time.¹² By their very nature, corrupt acts are intended to be secretive – making objective observations and

¹⁰ Transparency International studied 99 countries during this period however we had to exclude Hong Kong and Yugoslavia due to difficulties obtaining other data important to the models for the five year period studied here.

¹¹ We have reversed the original Transparency International scale which runs from 0 for the most corrupt to 10 for the least corrupt by multiplying by –1 and adding 10 so that it runs in a manner more consistent with the index name. Thus for this study, a high score on the CPI represents high levels of corruption.

measurements impossible. No objective measure of corruption exists for the 97 nations studied here. One possibility for building an objective indicator would involve the coding of newspaper reports of corruption. However, the quality of press coverage depends not only on the effectiveness of the legal system in exposing corrupt acts, but also on the freedom of the press to report on official corruption. Both are significant hurdles for many of the nations studied here.

Though the Transparency International corruption data now span several years, the CPI does not yet lend itself to a time-series estimation which would allow one to answer more adeptly some questions of causation.¹³ As the index designers explain, “The CPI incorporates as many reliable and up-to-date sources as possible. One of the drawbacks to this approach is that year- to-year comparisons of a country's score do not only result from a changing perception of a country's performance but also from a changing sample and methodology” (Transparency International 1998). However, they also note that “in practice, the sources continue to show a high degree of correlation. So, the impact of differing samples and methodologies on the outcome appears to be rather small” (Transparency International 1998).

Time-series analysis may be feasible with the corruption data if it is extended consistently over the next five to ten years, but for now it is not possible. In addition to the reservations noted above, the CPI has not been calculated for every year for every country in the five-year sample. Some countries are added in one year and dropped in another depending on the availability of survey data.

¹² Lipset and Lenz note that before the creation of the CPI corruption studies consisted primarily of country-level case studies (2000, p. 113). While these studies have been extremely valuable they lack the ability to identify generalizable explanations and prescriptions which are more easily identified in larger N comparative work.

¹³ Our analysis revealed that the CPI country scores were consistent across time and as Treisman (1999) notes the CPI is also strongly correlated with other corruption indexes he studied.

We therefore aggregated the data over the five years for every country that had been included in Transparency International's studies.¹⁴ Once the data was averaged across the five-year span we were able to shift our focus from any one-year and speak about the late-1990s in general. To maintain consistency with the dependent variable we also averaged our independent variables over a five-year period with a one-year lag. Thus, the first year for which we have CPI scores is 1995 and the first date in the independent variable series is 1994. Though this does not offer any decisive statistical advantage, it allows us to have at least some assurance that the estimation is not entirely simultaneous. We believe the aggregation is the most efficient method for estimation. It both minimizes the imperfections of the CPI and maximizes use of the information contained in the annual studies. The averages also smooth out the random variations across all of the measures used and provide for a clearer picture of what the 97 countries in our study were experiencing in the late 1990s.

The statistical analysis of this data was guided not only by our theoretical assumptions but also by previous empirical studies of corruption using the CPI and other corruption indicators. To date, most studies using corruption indexes have concentrated on only one year and thus are limited to the number of countries included in that specific sample (Lipset and Lenz 2000; Treisman 1999). Despite their different sample frames and data the findings of this burgeoning empirical literature are remarkably consistent. Although we have not included all of the measures used in these studies into the theory building of this project, we utilize their findings as controls to provide the most highly specified models possible. (See the Appendix for all independent variable definitions and sources.)

¹⁴ The differences within countries over time are very small. Put differently, the consistency of the CPI by nation over this short time frame is substantial.

The indicators that have been consistently identified as being negatively associated with corruption in recent studies using the CPI include: British heritage (United Kingdom, Commonwealth member or former colony), Protestantism (percent of population), Democracy (Freedom House score), Economic Freedom (Heritage Foundation score), and GDP Per capita, (Treisman 1999; Sandholtz and Koetzle 1999; and Lipset and Lenz 2000).

We collected these measures for our study and added a set of variables that attempt to operationalize the concepts of international integration we have discussed. We hypothesized that in countries where more citizens traveled, traded, or communicated internationally, both economic and normative influences would operate to produce noticeably lower levels of corruption. A broad range of indicators measuring levels of international integration in each country were used, including:

- The total number of memberships in international organizations
- Years of membership in the International Monetary Fund (IMF), United Nations (UN), General Agreement on Trade and Tariffs (GATT) and the World Trade Organization (WTO)
- Gross foreign direct investment per capita
- International telephone minutes per capita
- International air freight per capita
- International air passengers per capita
- Trade openness (total trade/GDP)

This set of variables provided diverse measures of the movement of people, capital, goods and communication across international borders. It also provided us with a technical challenge as we assumed, and later found, that there was significant correlation between them. Indeed, we expected that we would need to untangle the interconnected web of explanatory factors before we could clearly understand the relationships among variables.

The bivariate correlations within some subsets of the independent variables exceeded acceptable limits for simultaneous inclusion in a multivariate estimation. To deal with the potential collinearity problems we used a factor analysis with the measures in question, including both international integration and development (GDP per capita and the adult literacy rate) variables. The results revealed that three independent factors could easily be recognized within this data.¹⁵

[Insert Table 2]

We identified the grouping of communication, investment, trade, and travel measures as “International Flows.” A second factor included the set of international membership variables, and we labeled it “International Memberships.” The cluster of socio-economic development measures – GDP per capita and literacy rate – received the label “Development.” The factor scores were saved for use as explanatory variables in the multivariate regressions thereby eliminating strongly collinear explanatory factors and conserving degrees of freedom for our 97-nation data set.

In addition to these factor scores and measures used in previous studies of corruption, we included a variety of other explanatory variables and possible controls in the data set including:

¹⁵ Following Stevens (1992) we consider any factor loading greater than .512 as "significant." Stevens recommends this threshold for sample Ns of approximately 100.

Table 2. Rotated Factor Matrix: Collinear Explanatory Factors, 97 Nations, 1994-98

	<i>Factor 1: International Flows</i>	<i>Factor 2: International memberships</i>	<i>Factor 3: Development</i>
Number of IO Memberships	-.020	.745	.425
Years IMF Member	.071	.858	-.060
Years UN Member	.002	.863	-.069
Years GATT/WTO Member	.162	.804	.101
Literacy Rate	.135	-.137	.905
GDP per capita (log)	.418	.406	.736
GFDI per capita	.806	.220	.317
International Telephone Minutes per capita	.845	.095	.197
Air Freight per capita	.881	.012	-.008
Air Passengers per capita	.718	.282	.322
Trade/GDP	.756	-.441	-.072
<i>Eigenvalue</i>	4.392	2.845	1.226

Results produced with Varimax rotated principal components analysis. Factor scores obtained by Anderson-Rubin method.

- Annual IMF and World Bank credits per capita
- Natural log of population (to control for country size)
- The average corruption score (CPI) of bordering countries¹⁶
- Freedom House democracy scores
- Heritage Foundation government economic intervention scores¹⁷
- Additional measurements of religious affiliation (Catholicism and Islam).¹⁸

Multivariate analysis of the CPI data

One of the first challenges to the idea that international integration matters would be that once one controlled for the level of democracy and socio-economic development, international exchange would no longer be statistically correlated with lower levels of corruption. This was at least theoretically possible because it is likely that democratic and highly integrated nations would also likely be the most highly developed. We also ran model with both the whole sample and a subset that excluded the OECD countries,¹⁹ as an additional way to ensure that the differences in levels of development and the length of democratic government were not driving

¹⁶ This average includes all bordering countries for which data exists. For island nations the corruption score of the next nearest neighbor is used.

¹⁷ We restrict our use of the Heritage Foundation's Economic Freedom measure to their ratings of Government Economic Intervention. This measure is a scale running from low intervention (1) to high intervention (5). Past studies have used the whole Economic Freedom score (Lipset and Lenz 2000) without recognizing that several of the 10 ratings used to create this indicator measure corruption (Trade Policy, Property Rights, Regulation and Black Market scores) – thus placing a measure of the dependent variable on the independent variable side of the equation.

¹⁸ We limit the report to the variables that are correlated with corruption. A number of indicators we collected were dropped for having no statistically significant relationship with the CPI in bivariate and/or multivariate tests including ethnolinguistic fractionalization, sets of regional dummy variables, GDP (log), income inequality (gini coefficient), federalism, number of political parties, and legal origin/tradition dummy variables. In addition, there was one variable that was correlated but not included – a ratio of average public salaries to private salaries – but only for a 50-nation sub-sample.

¹⁹ The Non-OECD sample includes the recent entries into the OECD. The "long-term" OECD countries excluded from the analysis when using the Non-OECD sample were: Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, New Zealand, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

the results. We assumed that the results for the Non-OECD sample would need to closely mirror those for the entire sample for the robustness of the findings to be fully evident.²⁰

The results presented in Table 3 show that international integration continued to matter after controls for development, democracy, and a variety of other common control indicators were included. The factor score representing the level of travel, trade, investment and communication between countries was statistically significant and negatively related to corruption as we had expected. The more connected a nation and its citizens are within the international community, the less likely corruption is perceived as a problem.

[Insert Table 3]

In fact, the International Flows factor score was the strongest contributor in the total sample (model 1) to explaining variances in corruption scores, with the Development factor score and the Freedom House Democracy Score registering the next two largest standardized beta coefficients. In the Non-OECD sample (model 2) the International Flows factor score registered a standardized beta coefficient almost twice the size of any other variable and was followed by the Development factor score in explaining the largest amount of variance in the corruption scores.²¹ The International Memberships factor score is also statistically significant and negative in both models.

²⁰ We also computed collinearity statistics throughout the study to ensure that the models did not contain variance inflation factor scores and tolerances outside of commonly accepted levels.

²¹ Standardized Betas for Model 1: International Flows (-.354), Development (-.233) and Democracy (-.195). Standardized Betas for the Non-OECD sample (Model 2): International Flows (-.609) and Development (-.307). In the Non-OECD sample (Model 2), the Average corruption score of border countries (.232), the International Memberships factor score (-.231), and the Protestant percentage (-.224) had larger Beta coefficients than the Freedom House Democracy Score (-.212).

Table 3. Regression Analysis: CPI Corruption Scores, 1995-99

	<i>Model 1: All Nations</i>	<i>Model 2: Non-OECD</i>
Constant	2.401 (1.955)	2.785 (2.615)
Development (factor score)	-.538*** (.192)	-.486** (.228)
International Flows (factor score)	-.833*** (.135)	-.854*** (.149)
International Memberships (factor score)	-.342** (.158)	-.368* (.202)
IMF credit per capita	.009** (.004)	.008* (.007)
World Bank credit per capita	-.003 (.003)	-.003 (.003)
Average corruption score of border countries	.229** (.091)	.275** (.118)
Democracy Score	-.137** (.054)	-.105* (.059)
Long-term continuous democracy	-1.023** (.409)	-1.482** (.669)
Government economic intervention	.003 (.161)	-.123 (.193)
Protestant percentage	-.010* (.006)	-.023** (.010)
Catholic percentage	.003 (.004)	.003 (.005)
Islam percentage	.003 (.005)	.003 (.006)
British Heritage	.081 (.279)	.380 (.342)
Population (log)	.070 (.104)	.072 (.132)
<i>Adjusted R²</i>	.852	.631
<i>Number of Cases</i>	97	73

*p<.10, **p<.05, ***p<.01. Dependent variable is the inverted corruption score. The regression method is OLS with pairwise deletion. The table reports unstandardized coefficients with standard errors in parenthesis.

Thus, the more international organizations a country belongs to, and the longer it has been a part of the major international institutions such as the United Nations, GATT/WTO and the IMF, the lower its level of corruption. The coefficients for the international integration measures are remarkably stable in both models and thus cannot be attributed to the difference between the most developed countries and the least well off. In addition, the more IMF credit per capita a country received in the late 1990s the more corrupt it appeared to be. This accords with our expectation that since IMF lending flows primarily to the poorest countries, and because lower GDP/capita correlates so strongly with corruption, IMF credits would appear to correlate positively with corruption levels. The countries²² receiving the largest blocs of this aid were also facing domestic crises in which one might expect corruption to flourish. World Bank loans were not related to corruption.²³

We also found, perhaps unsurprisingly, that countries tend to be like their neighbors. The average corruption score of bordering countries had a strong positive influence on domestic levels of corruption even with the controls for development, religion, and levels of democracy.²⁴

Our results are also partially consistent with previous empirical work.²⁵ The lowest levels of corruption are prevalent in nations with larger Protestant populations and democratic governments (in the late 1990s and historically). Long-term continuous democracies have corruption scores that are at a minimum 1.0 lower than democratizing or authoritarian nations –

²² Among the nations with the highest IMF aid receipts per capita: Argentina, South Korea, Zambia, Mexico, Venezuela and Russia.

²³ Nor were they strongly correlated with IMF credit receipts, $r = .371$. The removal of the IMF credit per capita variable did not alter the significance or direction of the World Bank credit per capita measure.

²⁴ This variable remained significant in models including regional dummy variables. In several cases it consists of nearest neighbors in the case of island nations or countries with immediate neighbors who are not included in the CPI studies. It is used here as a "regional" estimate of corruption levels.

²⁵ Various combinations of the data were used in the model building process. When an indicator that we thought would be important was not significant it was removed from the model if it was not considered an integral control variable. We have not included this output but it is available from the authors upon request.

controlling for all the other factors in the model. This is even more evident in developing countries where Non-OECD long-term continuous democracies experience corruption levels more than 1.4 points lower than non-democracies in those regions. Concurrently, countries where more than 50 percent of the population identifies itself as Protestant score .5 lower on the CPI compared to nations where less than 5 percent are Protestant.²⁶

The measures for government economic intervention and British heritage were not statistically significant, contrary to the findings in some previous studies. This may in part be due to the more inclusive (and thus larger) sample we were able to use and the addition of the international integration measures that previous studies have lacked.

Though these results gave us considerable assurance that there is a relationship between higher levels of international integration and lower levels of corruption, we did have reason to probe further the robustness of our findings.

Multivariate analysis of the Graft-CPIA data

Knack and Azfar (2001) demonstrate that Transparency International's methodology for including or excluding a country from the CPI corruption index in any year has been biased toward larger and/or more developed countries.²⁷ Though almost all “large” population nations are included in the CPI – as well as small highly developed countries – small nations with developing economies are often left out due to a lack of data.²⁸ These are most often countries

²⁶ Estimate based on total sample coefficient. In the Non-OECD sample, a nation with a 50 percent Protestant population would be expected to have a corruption score 1.15 lower than a nation with only 5 percent Protestants.

²⁷ Transparency International requires a minimum of three separate corruption indicators for each nation for it to be included.

²⁸ Many of the organizations funding the surveys used in constructing the index are linked to international organizations or groups, which are studying the risk of investment around the world. In the aggregate, these organizations often have a self-interested selection bias toward larger economies.

with higher levels of corruption and also higher levels of trade as a share of GDP than larger developing nations. The absence of smaller, more corrupt countries in the sample could distort regression results employing the CPI indicator (Knack 2001).

To test this possibility we use a data set developed by Knack and Azfar (2001) which they constructed with data from Kaufmann, Kraay and Zoido-Lobaton (1999) and the World Bank. This data set relaxes Transparency International's requirement for three data sources for each nation. (See the Appendix for a description of the data and methodology).²⁹ The Knack and Azfar measure thus includes standardized corruption scores for a much larger set of countries (153) than the CPI covers. This new corruption indicator is highly correlated with the CPI and is in many ways an extension of its sources and only a slight modification of Transparency International's methods.

The advantage of using this larger data set is that it can provide a test for the possibility that sample selection bias could be providing misleading results. The disadvantage, however, is that the corruption scores for the countries added to this larger data set are based on fewer root data sources and thus in some cases have higher standard errors (Knack and Azfar 2001). We accepted this trade off in order to test the robustness of our CPI model.

Using this new larger data set, which Knack and Azfar (2001) refer to as the “Graft-CPIA” index, we replicated our analysis for their sample of 153 nation states for the 1997-98 period.³⁰

[Insert Table 4]

²⁹ The data set also includes some areas that are more aptly described as semi-autonomous territories such as the West Bank and Gaza, Panama and Hong Kong

³⁰ We replicate the analysis in all but one detail. The measure of Gross Foreign Direct Investment per capita was excluded from the factor analysis, and thus from the International Flows factor, because observations of this indicator do not exist for many of the countries in the wider data set. All other independent variables are collected from the same sources and maintain the same definitions. They were collected for 1996, providing a one-year lag to the Graft-CPIA observations.

Table 4. Rotated Factor Matrix: Collinear Explanatory Factors, 153 Nations, 1997-98

	<i>Factor 2: International Flows</i>	<i>Factor 1: International memberships</i>	<i>Factor 3: Development</i>
Number of IO Memberships	-.185	.749	.317
Years IMF Member	-.001	.887	-.076
Years UN Member	-.076	.834	-.126
Years GATT/WTO Member	.035	.726	.194
Literacy Rate	-.010	-.104	.911
GDP per capita (log)	.348	.266	.818
International Telephone Minutes per capita	.765	-.128	-.217
Air Freight per capita	.733	.072	.252
Air Passengers per capita	.662	.218	.476
Trade/GDP	.733	-.346	.136
<i>Eigenvalue</i>	2.779	3.032	1.306

Results produced with Varimax rotated principal components analysis. Factor scores obtained by Anderson-Rubin method. Factors exclude GFDI per capita due to too many missing data points for the expanded sample of 153 nations.

The factor analysis of the correlated independent variables for this larger sample, as presented in Table 4, produced results nearly identical to those of the 97-nation CPI data set presented in Table 2. Once again the same three factors with very similar loadings present themselves. Thus, we can say that any sample selection bias that could be present in the CPI methodology did not have any noticeable effect on these clusters of international exchange, organizational memberships, or level of development variables. However, that cannot be said for all the independent variables used in the CPI models.

The regression analysis results presented in Table 5 show that for the most part, the relationships remain consistent with the Transparency International data.

[Insert Table 5]

The International Flows, International Membership and Development factor score variables all produce results remarkably similar to those in the 97 nation CPI model presented in Table 3. Nations with more international integration and those that are more developed are less likely to be identified as being highly corrupt.

In the complete 153-nation model, the variables with the strongest contribution, as measured by standardized beta coefficients, were the Freedom House democracy score, followed by the Development factor score and then the International Memberships and the International Flows factor scores respectively. Removing the OECD nations from the model produced a nearly identical ranking of importance, with the International Memberships and the

Table 5. Regression Analysis: Graft-CPIA Corruption Scores, 1997-98

	<i>Model 1: All Nations</i>	<i>Model 2: Non-OECD</i>
Constant	.973 (1.362)	1.097 (1.618)
Development (factor score)	-.590*** (.120)	-.547*** (.130)
International Flows (factor score)	-.398*** (.106)	-.449** (.112)
International Memberships (factor score)	-.411*** (.118)	-.369** (.154)
IMF credit per capita	.007** (.003)	.007** (.003)
World Bank credit per capita	-.001 (.002)	-.001 (.002)
Average corruption score of border countries	.207** (.083)	-.140 (.103)
Democracy Score	-.155*** (.032)	-.152*** (.034)
Long-term continuous democracy	-.667* (.343)	-.572 (.604)
Government economic intervention	.008 (.084)	.025 (.092)
Protestant percentage	.002 (.005)	-.007 (.008)
Catholic percentage	.009*** (.003)	.010*** (.004)
Islam percentage	.000 (.003)	.002 (.003)
British Heritage	-.092 (.179)	-.113 (.234)
Population (log)	.100 (.073)	.108 (.084)
<i>Adjusted R²</i>	.796	.596
<i>Number of Cases</i>	153	129

*p<.10, **p<.05, ***p<.01. Dependent variable is the inverted corruption score. The regression method is OLS with pairwise deletion. The table reports unstandardized coefficients with standard errors in parenthesis.

International Flows factor scores swapping positions.³¹

In each case, these most important variables measuring democracy, development and international integration take nearly the same unstandardized coefficient values as they did in the CPI models and have the same directions and similar levels of statistical significance. As in the 97-nation CPI model, countries receiving greater IMF credits per capita tend to be more corrupt.

Partial evidence exists in these new models to support further the conclusion that countries are a lot like their neighbors when it comes to corruption, and that a long-term history of democracy is related to lower levels of corruption. In both cases, these relationships hold up in the 153-nation sample as well as they did in the 97-nation model. However, once the OECD nations are removed from this sample – leaving 129 nations – border corruption and long-term democracy are no longer statistically significant.

One other more significant difference between the CPI and the Graft-CPIA models is the impact of religion. In the wider sample of 153 nations, it is no longer Protestantism that appears important. Instead, Catholicism is statistically significant and related to corruption. But unlike the negative relationship between Protestantism and the CPI, here nations with larger Catholic populations have higher levels of corruption as measured by the Graft-CPIA index. This disparity between the two models is an interesting result that should be studied further. One possible explanation is that religion is closely tied to colonialism in many of the developing nations included in the larger data set. Not only did colonial powers – beyond Great Britain, for which we do control – often bring their political institutions to these newer nations, they also imported their dominant religions. Religious affiliation may therefore serve as a proxy for

³¹ Standardized Betas for Model 1: Democracy (-.336), Development (-.325), International Memberships (-.219) and International Flows (-.218). Standardized Betas for the Non-OECD sample (Model 2): Democracy (-.419), Development (-.384), International Flows (-.354) and International Memberships (-.249).

differing colonial legacies more broadly. The cultural residues of colonialism are thus possibly an important avenue of research in future studies of corruption.³²

In sum, the model fared as well or better than previous empirical explanations of corruption. The variables critical to the themes discussed here – international integration, democracy, and development – do appear to be related to levels of corruption worldwide. These relationships were consistent in varying time periods and across different samples of nations. The model's performance in the expanded dataset strengthens our confidence in its robustness. The more internationally integrated, democratic and developed a country is, the more likely it will have lower levels of corruption.

Conclusion

The regression analyses confirm our initial hypotheses, and perform well in predicting actual levels of perceived corruption. We tested the model against two sets of data for the dependent variable. The analysis using Transparency International's CPI scores permits comparisons with previous research that employed that measure. Running the model with the Graft-CPIA scores allows us to address serious questions regarding potential sample bias in the CPI. That the model fared well with both sets of corruption data greatly increases our confidence in the robustness of our findings.

Using the CPI, the full sample model explained 85 percent of the variance across the 97 nations, while the Non-OECD model explained approximately 63 percent of the variation in the

³² Colonialism was also a form of international integration. However, unlike international integration in the 1990s colonial relationships could have encouraged more corruption, with effects still visible today. In this regard it is not international integration in and of itself which accounts for corruption levels, but rather the nature of those cross-national interactions. The norms and incentives communicated by international relationships is what we have argued is important. In the late 1990s, as we have argued, the anti-corruption norm had become increasingly

corruption index among those countries. The model fit as shown in Figure 1 is well distributed across the entire sample. No statistically significant outliers were identified but visually there are notable cases.

[Insert Figure 1]

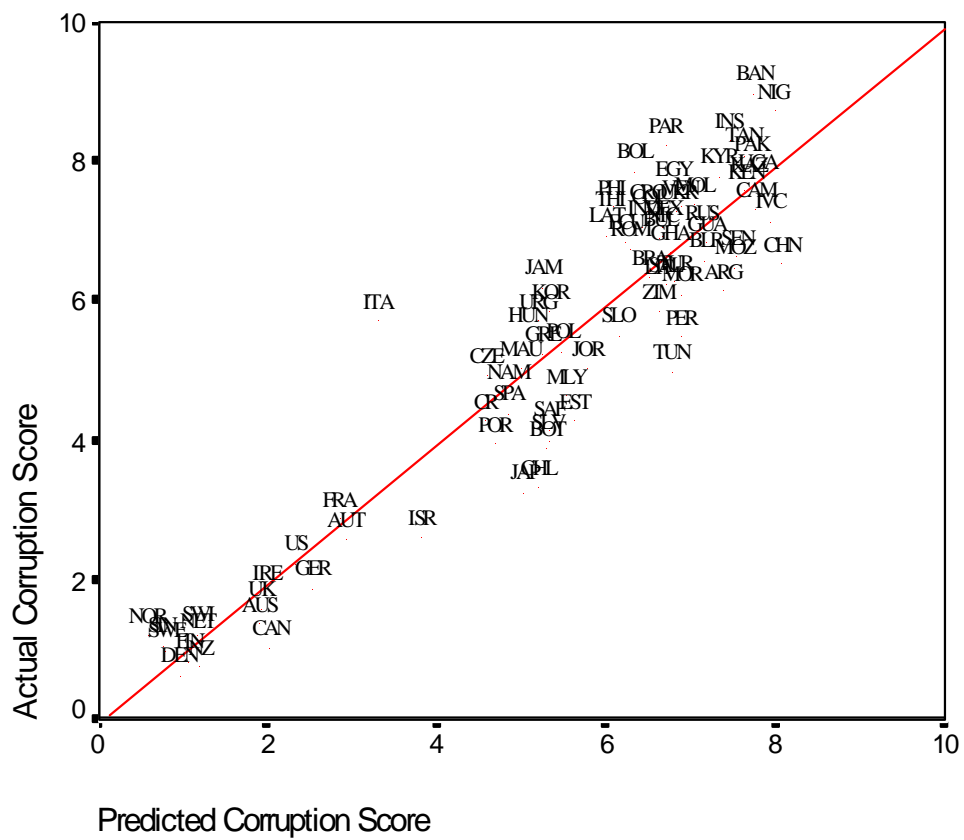
The model perhaps unsurprisingly underestimates corruption in Italy, which has been rocked by scandal in recent years. To a lesser extent, Bangladesh, Paraguay and Bolivia appear more corrupt in the CPI than the model would predict. Alternatively, Japan, Tunisia, China and Chile appear slightly less corrupt in the CPI than in our model estimates. Country studies of these specific cases may illuminate further why they appear as very slight outliers, or additional variables maybe identified in the future to increase the model's accuracy.

The model produced slightly lower levels of explained variances with the Graft-CPIA data. In the 153-nation sample more than 79 percent is explained, whereas in the Non-OECD sample of 129 nations, more than 59 percent is explained. These are only modestly lower than what the CPI data produced. With that said, the overall fit of the data is visually slightly better.

[Insert Figure 2]

Italy is no longer a noticeable outlier – in part due to the lower corruption score given to it on the Graft-CPIA index for 1997-98. Overall the fit is consistent with the CPI model – not perfect but consistently good across the range of scores.

important and widely discussed. Economic incentives increased the costs of corruption. In past colonial systems, the nature of international integration was different, and therefore had different effects.

Figure 1. CPI Corruption Score Model Fit

At a minimum, the regression results provide strong support for our proposition that the more a country is integrated into international society, the more it will encounter economic and normative pressures against corrupt practices. Table 6 summarizes the results of the analysis, with the variables categorized as in the theoretical section of the paper. Factors that were significant in both the CPI and Graft-CPIA all-countries models are entered in bold.

Table 6: Explanatory variables and regression results

		Type of rationality	
		Economic (utility)	Norm
Level of analysis	Domestic	Economic development Government economic intervention Current democracy	Continuous democracy Protestantism Catholicism Islam British colonial heritage
	International	Trade, investment, and related flows IMF credits	IO memberships World Bank involvement Corruption levels of bordering countries

Note: Variables that were statistically significant in both the CPI and Graft-CPIA regressions, for the all-countries models, appear in **boldface**. Protestantism was significant in the CPI regression; Catholicism was significant in the Graft-CPIA regression.

Indeed, our analysis shows more clearly than previous studies that international factors have an important influence on domestic corruption levels. The significance, and variety, of international correlates of corruption are quite striking. We also argued that actors make choices on the basis of both economic rationality and normative reasoning, as they attempt to determine what pays off and what is appropriate. It follows that there should be some factors that influence corruption levels primarily through economic modes of reasoning, and others that affect corruption via normative modes of reasoning. Our analysis offers evidence of both. International flows associated with trade and investment increase the costs of corruption to any given country. Participation in international organizations creates channels for the diffusion and absorption of international anti-corruption norms.

One of the contributions of this study is to show that economic and normative correlates of corruption can be independently observed. More broadly, we suggest that all-or-nothing contests to establish the primacy of either economic or normative influences on behavior (interests versus norms) are pointless. Both economic and normative rationalities have strong theoretical foundations and empirical substance. The more interesting question for the future may be how they interact.

Appendix

CPI Methodology

The Corruption Perceptions Index is a "poll of polls" rating countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. Residents and non-residents assess every country. For example, 17 different survey questions asked of business people, the general public and country experts from 10 independent sources were used to construct the CPI Index scores in 1999. The index has been updated every year since 1995.

Sources generally apply a definition of corruption such as the misuse of public power for private benefits, e.g., bribing of public officials, kickbacks in public procurement, or embezzlement. Data sources include: Freedom House Nations in Transit; Gallup International; Economist Intelligence Unit; Institute for Management Development, Lausanne; International Crime Victim Survey; Political and Economic Risk Consultancy; The Wall Street Journal; Central European Economic Review; World Bank and University of Basel; World Economic Forum; and Political Risk Services.

The strength of the CPI is based on the concept that a *combination of data sources* combined into a single index increases the reliability of each individual figure. The idea of combining data is that the nonperformance of one source can be balanced out by the inclusion of at least two other sources. This way, the *probability of misrepresenting a country is seriously lowered*.

The questions used in the CPI vary. The IMD asks respondents to assess whether "*Improper Practices (such as bribing and corruption) prevail or do not prevail in the public sphere.*" GI asks "*From the following groups of people (politicians, public officials, policemen and judges), can you tell me for each of them, if there are a lot of cases of corruption given, many cases of corruption, few cases or no cases of corruption at all.*" The ICVS asks: "*In some areas there is a problem of corruption among government or public officials. During the past year has any government official, for instance a customs officer, police officer or inspector in your own country, asked you or expected you to pay a bribe for his service?*" EIU experts assess the pervasiveness of corruption among politicians and civil servants.

Despite the diversity of those polled (domestic populations, business leaders, and country experts) an indicator for the overall reliability of the CPI can be drawn from the high correlation between the sources. As most correlations are around 0.8 or higher, the sources do not differ considerably in their assessment of levels of corruption.

In its original form it runs from 0 to 10 with a higher score representing lower corruption. We have multiplied these original scores by -1 and then added 10 to create a scale where higher numbers equated higher corruption.

Graft-CPIA Methodology

The “Graft-CPIA” index, as it is referred to in Knack and Azfar (2001), is closely related to Transparency International’s CPI and was created in part by World Bank analysts to measure corruption. It is also a “poll of polls.” In many cases it uses the same root data sources and surveys as Transparency International and as Knack and Azfar note it correlates at .98 with the 1999 CPI scores. The most important difference and advantage is that the Graft-CPIA produces corruption scores for many more nations than the CPI – including many small and developing nations excluded from Transparency International’s data. However, this comes at some cost as it relies on fewer root data sources, which produces scores with higher standard errors for the final score. Knack and Azfar also use regression analysis to “impute” a score for some nations, which are not covered by the original Kaufman, Kraay and Zoido-Lobaton (1999) 155-nation “Graft” index. Knack and Azfar (2001) use other corruption measures produced by the World Bank to create the Graft-CPIA index for a total of 184 nations covering the 1997-98 period.

The Graft-CPIA index standardized scale runs from –2.5 to 2.5 where positive scores represent lesser corrupt nations. We have reversed the index and expanded it to cover a 0 to 10 scale where a higher value equates with greater corruption by multiplying the original score by –1, then adding 2.5 and then multiplying by 2. The correlation between the CPI average for 1995-99 and the Graft-CPIA index for 1997-98 for countries in our data set which have both scores is .96.

Converted Corruption Scores

<i>Nation</i>	<i>Graft-CPIA (1997-98)</i>	<i>CPI (1995-99)</i>
Albania	6.97	7.70
Algeria	6.76	
Angola	6.73	
Argentina	5.55	6.16
Armenia	6.61	7.50
Australia	1.80	1.39
Austria	2.09	
Azerbaijan	7.00	8.30
Bahamas, The	4.01	
Bahrain	5.43	
Bangladesh	5.58	8.98
Belarus	6.31	6.60
Belgium	3.66	3.53
Benin	6.56	
Bolivia	5.88	7.87
Bosnia and Herzegovina	5.71	
Botswana	3.93	3.90
Brazil	4.88	6.36
Brunei	5.04	

Bulgaria	6.11	6.90
Burkina Faso	5.74	
Cameroon	7.21	7.32
Canada	0.89	1.04
Chad	6.17	
Chile	2.94	3.35
China	5.58	6.54
Colombia	5.98	7.22
Congo, Dem. Rep.	8.11	
Congo, Rep.	6.19	
Costa Rica	3.85	4.28
Cote d'Ivoire	5.16	7.15
Croatia	5.93	7.30
Cuba	4.45	
Cyprus	1.38	
Czech Republic	4.23	4.95
Denmark	0.74	0.65
Dominican Republic	6.55	
Ecuador	6.64	6.86
Egypt, Arab Rep.	5.53	7.62
El Salvador	5.71	6.25
Estonia	3.81	4.30
Ethiopia	5.87	
Fiji	3.39	
Finland	0.83	0.85
France	2.44	2.89
Gabon	7.03	
Gambia, The	5.04	
Georgia	6.49	7.70
Germany	1.76	1.88
Ghana	5.60	6.70
Greece	3.35	5.25
Guatemala	6.64	6.85
Guinea	6.70	
Guinea-Bissau	5.35	
Guyana	5.04	
Haiti	6.07	
Honduras	6.88	8.25
Hong Kong, China	2.37	
Hungary	3.77	5.54
Iceland	1.34	0.75
India	5.61	7.07
Indonesia	6.60	8.32
Iran, Islamic Rep.	6.70	
Iraq	7.53	
Ireland	1.87	1.83
Israel	2.45	2.62
Italy	3.40	5.73
Jamaica	5.23	6.20
Japan	3.55	3.27
Jordan	4.72	5.04

Kazakhstan	6.74	7.70
Kenya	6.30	7.58
Korea, Dem. Rep.	6.07	
Korea, Rep.	4.68	5.85
Kuwait	3.76	
Kyrgyz Republic	6.53	7.80
Latvia	5.53	6.95
Lebanon	5.79	
Lesotho	4.62	
Liberia	7.10	
Libya	6.76	
Lithuania	4.93	6.20
Luxembourg	1.66	1.30
Macedonia, FYR	6.03	6.70
Madagascar	5.94	
Malawi	5.39	5.90
Malaysia	3.73	4.66
Mali	5.95	
Malta	4.01	
Mauritius	4.33	5.05
Mexico	5.55	7.07
Moldova	5.77	7.40
Mongolia	5.29	5.70
Morocco	4.75	6.10
Mozambique	6.07	6.50
Myanmar	7.19	
Namibia	4.24	4.70
Netherlands	0.95	1.16
New Zealand	0.85	0.75
Nicaragua	6.67	6.95
Niger	8.13	
Nigeria	6.91	8.74
Norway	1.63	1.23
Oman	4.03	
Pakistan	6.54	7.99
Panama	5.92	
Papua New Guinea	6.71	
Paraguay	6.92	8.25
Peru	5.40	5.50
Philippines	5.46	7.37
Poland	4.02	5.29
Portugal	2.56	3.97
Puerto Rico	2.76	
Qatar	3.86	
Romania	5.91	6.75
Russian Federation	6.23	6.99
Saudi Arabia	6.15	
Senegal	5.47	6.65
Sierra Leone	5.04	
Singapore	1.10	1.07
Slovak Republic	4.94	5.52

Slovenia	2.95	4.00
Somalia	7.10	
South Africa	4.40	4.17
Spain	2.57	4.41
Sri Lanka	5.25	
Sudan	7.03	
Suriname	5.04	
Swaziland	4.99	
Sweden	0.83	1.01
Switzerland	0.86	1.24
Syrian Arab Republic	6.58	
Tanzania	6.85	8.10
Thailand	5.33	7.19
Togo	5.48	
Trinidad and Tobago	3.98	
Tunisia	4.96	5.00
Turkey	5.70	6.29
Turkmenistan	7.58	
Uganda	5.93	7.71
Ukraine	6.78	7.30
United Arab Emirates	5.05	
United Kingdom	1.59	1.60
United States	2.19	2.25
Uruguay	4.14	5.72
Uzbekistan	6.93	8.20
Venezuela, RB	6.45	7.35
Vietnam	5.66	7.37
West Bank and Gaza	4.27	
Yemen, Rep.	6.71	
Yugoslavia (Serbia/Montenegro)	6.99	
Zambia	6.23	6.50
Zimbabwe	5.64	5.85

Source: Kaufmann, Kraay and Zoido-Lobaton (1999). Transparency International (2000). Scores have been converted to run from 0-10 scales where 0 represents the least corrupt and 10 the most corrupt.

Independent variable sources and definitions

Name	Definition	Source
Number of IO Memberships	Total number of memberships in international organizations	Cook (2001), Wright (2000), CIA World Factbook
Years IMF Member	Cumulative years of membership in the IMF	Hensel (1999)
Years UN Member	Cumulative years of membership in the United Nations	Hensel (1999)
Years GATT/WTO Member	Cumulative years of membership in the GATT and WTO	Hensel (1999)
Literacy Rate	Percentage of people aged 15 and above who can with understanding read and write a short, simple statement on their everyday life.	World Bank Development Indicators
Population (log)	Natural log of population	World Bank Development Indicators
GDP per capita (log)	Natural log of GDP per capita	World Bank Development Indicators
GFDI per capita	Value of inflows and outflows of foreign direct investment per capita	World Bank Development Indicators
International Telephone Minutes per capita	International telephone minutes per capita	International Telecom
Air Freight per capita	Tons of freight multiplied by the stage distance divided by total population	World Bank Development Indicators
Air Passengers per capita	Air passengers per capita	World Bank Development Indicators
Trade/GDP	Imports and exports divided by GDP	World Bank Development Indicators
IMF credit per capita	IMF credit per capita	World Bank Development Indicators
World Bank credit per capita	World Bank credit per capita	World Bank Development Indicators
Average corruption score of border countries	Average corruption score of closest neighbors/bordering countries	Transparency International
Democracy Score	Inverted and combined Political Rights and Civil Liberties 7-point scales – running from -2 (democratic) to -14 (non-democratic)	Freedom House
Long-term continuous democracy	Continuous democracy since 1946	Lijphart (1999)
Government economic intervention	Scale runs from 1 (very low intervention) to 5 (very high intervention)	Heritage Foundation
Protestant percentage	Percent population identified as Protestant	La Porta et al (1998)
Catholic percentage	Percent population identified as Catholic	La Porta et al (1998)
Islam percentage	Percent population identified as Islamic	La Porta et al (1998)
Former or current British colony	United Kingdom, Commonwealth member or former colony	Cook (2001), Wright (2000), CIA World Factbook

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