

Corruption in Latin America: An Empirical Overview

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Introduction

In a simple word association game “Latin American politics” often elicits the retort “corruption.” Indeed, wealthy kleptocrats, scandals, public protests against corrupt leaders, and patrimonialism have long characterized the region. Yet despite this pattern, until quite recently corruption has enjoyed scant scholarly or even political attention over the years (see Fleisher 2002; Geddes and Neto 1992; Lagos 2003; Little ; López Presa 1998; Manzetti 1994; Manzetti and Blake 1996; Morris 1991; Rosenn and Downes 1998; Seligson 1997, 1999, 2001, 2002; Tulchin and Espach 2000; Weyland 1998) (For a thorough review of the sub-field on corruption see Heidenheimer and Johnston 2002 and Williams 2000). Since the late nineties, and amid (and perhaps owing to) growing disillusionment over the sluggish advances of democratic and neoliberal economic reforms, the issues of transparency, governance and corruption have taken center stage. To many, it seems, corruption has become the common denominator helping to explain everything from the region’s persistent inequality and slow growth to democratic stagnation.

The recent boom in interest in political corruption is worldwide. The amassing of survey data on corruption by the Berlin-based NGO Transparency International (TI) and other organizations since the mid-nineties and their extensive use in cross-national studies both reflect and facilitate this boom. Such empirical studies usually define corruption simply as the abuse of public office for personal gain, leaving aside the still challenging definitional and methodological questions. Yet few of the empirical studies has focused specifically on Latin America. Whether empirical patterns found at the international level really help us understand the nature of political corruption in Latin America thus remains an open question. This study addresses this gap, testing a range of hypothesis relating to the causes and consequences of corruption in the region.

Causes and Consequences of Corruption: Empirical Analyses

Extensive cross-national studies link corruption to a wide range of factors. Such studies confirm that corruption tends to be higher in countries at lower levels of economic and human development, with lower levels of education, limited political rights, weak or non-existent political competition,¹ a relatively large state role in the economy, lower levels of economic freedom and openness, ethno-linguistic factionalism, the lack of judicial independence and a free press, low civil service wages, abundant natural resource endowments, low levels of interpersonal trust, and high levels of permissiveness toward corruption, among others (on the causes of corruption see Ades and DiTella 1997; Brunetti and Weder 1999; Johnston 1999; Kaufmann and Wei 1999; LaPort et. al 1999; Mauro 1995, 1997; Tanzi 1994, 1998; Triesman 1999). Studies focusing on the impact of corruption, in turn, highlight an assortment of toxic economic and political consequences. Such studies demonstrate that corruption lowers the rate of economic growth and investment, distorts public spending by diverting funds to sectors where the collection of bribes is easier such as physical public investments and military spending, weakens programs designed to help the poor and reduce inequality, reduces government revenue through tax evasion and improper tax exceptions, lowers foreign aid and influences the structure of trading partners. Politically, corruption reduces the public’s trust in politicians and civil servants, their faith in public institutions, evaluations of government performance and regime legitimacy (on the consequences see Keefer and Knack 1995; Lambsdorff (1998) Mauro 1995, 1997, 2002; Seligson 2001, 2003). Yet despite such links, evidence suggests that the level of corruption is unrelated to the degree the public views it as a political problem. Whereas 61% of those polled in Mexico in 2000 felt that corruption was a “very serious” problem, for instance, a similar percentage of Chileans saw corruption as “very serious” in their country, despite the fact that the level of corruption in Chile is much less than in Mexico (TI Global Corruption Report 2000-2001, 226).

Measuring Corruption in Latin America

Measuring political corruption has long been a difficult task and remains so, despite recent advances (for a discussion of the methodological issues see del Castillo 2003 and Johnston 2000). The current wave of empirical research relies almost exclusively on subjective measures of corruption drawn from numerous public opinion polls. The most used and cited measure of corruption, the Corruption Perception Index (CPI) prepared by Transparency International (TI) is a “poll of polls, reflecting the perceptions of business people and country analysts, both resident and non-resident” (TI Press Release of the 2002 CPI). TI has compiled and published the CPI annually since 1995, increasing the scope and coverage of the index every year. Its most recent 2003 CPI, for instance, draws on 17 different surveys conducted by 13 independent institutions and covers 133 countries. For Latin America the 2003 index incorporates results from as many as 12 polls in the cases of Argentina, Brazil, Chile, Mexico and Venezuela to as few as 3 polls in the case of Cuba.²

[Table 1]

According to the CPI (Table 1) levels of corruption differ widely among the countries of Latin America. Chile consistently exhibits the lowest levels of corruption in the region, ranking 20th globally in 2003 (n=133) with a score of 7.4 (CPI: 0= high corruption 10= low corruption) and placing it in the company of more economically developed countries like the U.S. (7.5) and Japan (7.0). No Latin America country has really ever come close to matching Chile’s mark. Uruguay and Costa Rica exhibit slightly lower levels of corruption behind Chile, occupying a second tier regionally. Cuba, first reported in the 2003 index, enjoys a score of 4.6, placing it within this group as well. Most of the remaining countries tend to cluster together between 2.5 to 4.0. In 2003, Brazil (3.9) places 53rd globally along with Bulgaria and the Czech Republic, Mexico (3.6) ranks 64th with a score slightly above that of China, and Argentina (2.5) occupies the 92nd spot in the company of Albania, Ethiopia and Zambia, among others. At the far end of the scale, Bolivia, Ecuador, Paraguay and Haiti consistently exhibit the highest levels of corruption.

As shown, the CPI does not cover all Latin American countries in every year, though certainly the coverage has increased recently. Even so, for each country the index shows very limited movement and the pairwise correlations are extremely high. For the current purposes then I use the average CPI score for the overall period as the primary measure of political corruption.

Causes of Corruption in Latin America

The cross-national literature identifies a range of economic, political, and cultural factors that influence a nation’s level of corruption. Many of these have become common wisdom in the comparative literature. Such studies provide a series of hypotheses to test on Latin America.

Level of Development and Education. The most robust relationship in the cross-national literature links corruption to a country’s level of economic and human development: a relationship that remains strong even among developing countries. Development is thought to usher in a range of changes (modernization) that provide the citizenry with the tools to demand a more responsive and transparent government and to make government more efficient. Figure 1 graphs the relationship for the countries of Latin America using the U.N.’s Human Development Index for 2000 as the independent variable. Consistent with cross-regional findings, the level of human development is tied inversely to a country’s level of corruption. Chile and Argentina are notable outliers here with Chile exhibiting much less corruption than expected based on its level of development and Argentina much more.

[Figure 1]

Much of the literature on corruption emphasizes education as an important component in fighting corruption. Education is thought to produce universal values, higher standards of efficiency and a more informed and active citizenry that can hold government accountable. Using the U.N.’s Human Development Report’s (2002) Education Index and controlling for the impact of GDP per capita, the impact of education though in the expected direction is limited as shown in Table 2.

[Table 2]

Political factors. The literature on corruption features a range of political factors that tend to influence the level of corruption cross-nationally. Johnston (1999), for example, finds that countries with greater levels of democratic competitiveness tend to have lower levels of corruption. The mechanisms of the relationship are relatively straightforward. Citizens in countries with strong democratic institutions are more likely to have the information and tools to hold government accountable and even “throw out” corrupt politicians through elections. Yet despite such cross-national findings, recent experience shows corruption to have increased in the new democracies and in liberalizing economies (Manzetti 1994; Manzetti and Blake 1996; Weyland 1998). As Robinson (1998, 2) notes, “democratic structures have proved markedly ineffective in curbing the spread and tenacity of corrupt practices in developing countries.”

Four measures are used here to gauge democratic competitiveness in Latin America: a) the Freedom House measures of political rights and civil liberties for the years 1995 and b) for 2000-01, c) the number of years the country enjoyed democratic elections from 1980 to 2000 (Payne et al 2002, 3), and d) the effective number of political parties (based on seats in the lower chamber for most recent election circa 1996-2000) (Payne et al 2002, 145).³ It is expected that the greater the level of political and civil freedoms, the longer the democratic experience and the more political parties, the higher the level of competitiveness and hence the lower the level of corruption. The simple bivariate correlations shown in Table 3, however, reveal weak and no statistically significant patterns, though with the exception of years democratic, the coefficients are in the expected direction. Countries with higher levels of freedoms and more political parties are indeed somewhat more likely to have lower levels of corruption. Even so, the weak results highlight the stagnation or non-consolidation of democracy in the region, lending some support to Keefer’s (1995) conclusion that democracy may reduce corruption but only in the long-term.

[Table 3]

A second set of political factors linked to corruption centers on the size, the power and the effectiveness of the state. As highlighted earlier, some studies link corruption to the size of the state as measured by government spending (LaPalombara 1994; La Porta et al 1999). Arguably the larger the state, the greater the opportunities for corruption. But some analysts dispute these findings, suggesting instead that it is not the size of the state per se but rather the level of state efficiency and the precise nature of state spending that that influences corruption (Elliott 1997; Rose-Ackerman 1999). Such studies usually point to the high level of social expenditures and low levels of corruption found in the Scandinavian democracies. Using government spending as a proportion of GDP in 2000 (Vial and Cornelius, 2001), Table 3 however reveals no direct correlation linking state spending and political corruption in Latin America. Yet a test using two other indicators of state strength reveals a different pattern: a ranking of “burden of administrative regulations” (a ranking based on an Executive Opinion Survey by the World Economic Forum, see Vial and Cornelius 2001, 16) and the World Bank’s measure of Rule of Law for 2000-2001 (Kaufmann, et al. 2002), both proxy measures of state size or strength. As one would expect, the more steps required to complete a bureaucratic transaction facilitates corruption by enhancing the opportunities for corrupt transactions. Though corruption may help cut through the red tape as some have routinely argued, Rose-Ackerman (1978) reversed this causal arrow years ago by contending that such obstacles may in fact have been erected for the primary purpose of soliciting the bribe. The extremely high correlation linking corruption and Rule of Law shown here is also expected, suggesting that countries with high levels of corruption also contend with a lack of respect for the law (weak rule of law). This borders on tautology, of course, and suggests that it may be difficult to differentiate the two measures, particularly since both are derived from opinion polls.

[Table 4]

Cultural factors. Moving beyond political variables, many works, particularly from the pre-empirical period, attributed corruption to cultural attributes of society. Though causal direction is often difficult to disentangle when dealing with culture, more recent empirical studies have uncovered significant links between corruption and such cultural factors as religion, power distance, and interpersonal trust. Rooted in the theory of social capital (Fukuyama 1995; Putnam 2000), corruption has been found in some works to be more pronounced in countries where citizens have low levels of trust in their fellow citizens. Again, the questions and doubts about causality cloud the issue. Yet in Latin America, as shown in Figure 2, there seems to be no direct correlation linking interpersonal trust (data are for the 1996-2001 period based on the Latinobarometro survey, cited in Payne et al. 2002, 40), and political corruption. Interestingly, Chile, with the lowest level of corruption in the region, actually has a level of interpersonal

trust equal to that of Paraguay, the country with the highest level of corruption (save Haiti), while Mexico, which ranks 12th regionally in terms of corruption, sports the highest level of interpersonal trust.

[Figure 2]

A second cultural factor linked to corruption is ethno-linguistic fragmentation. This relationship centers more on the political consequences of ethnic divisions rather than the cultural dimension. Still to test this variable, I use ordinal level data from La Porta et al (1999) which ranks countries as having high, medium or low levels of ethno-linguistic fragmentation. Table 5 compares the mean levels of corruption for the three groups of countries. Though not statistically significant (given the low n), it nonetheless shows a pattern consistent with the findings in the literature: countries with low levels of ethnic fragmentation in Latin America tend to exhibit lower levels of corruption. Looking closer at the data shows that three of the four countries with high ethno-linguistic divisions (Bolivia, Ecuador and Paraguay) all sport high levels of corruption by regional standards. Peru is somewhat of an exception to this pattern.

[Table 5]

Economic variables. Though level of development and state spending tap into two of the more prominent economic determinants of corruption, two other economic variables have been found to be significantly related to corruption: inequality and economic openness or economic freedom. Considered both a cause and a consequence of corruption, inequality in the distribution of wealth and income tends to reproduce power differentials in society that foment corruption. Since the abuse of power serves the interests of the powerful and the rich to the detriment of the weak and poor, widespread corruption, in turn, worsens the level of inequality. Viewed from a different and more Aristotelian angle perhaps, a weak or small middle class weakens demands for political accountability.

Here two measures of inequality are used: the portion of GDP controlled by the richest 10% of the population and the Gini index (both measures are taken from the UN Human Development Report 2001). As shown in Table 6 and Figure 3 there is a significant and relatively strong link between the percentage of income held by the wealthiest top 10% of the population and corruption, though there is no statistically significant relationship to the Gini index. As expected, corruption tends to be higher in countries where the wealthy control a larger portion of the national income. Indeed inequality may be a crucial factor helping to explain the high level of corruption in a case like Brazil.

In addition to inequality, a host of studies link corruption to the lack of economic openness and competitiveness. Taken straight from the neoliberal script and feeding much of the research on corruption sponsored by the IMF and the World Bank, the stylized argument holds that economic openness and competitiveness eliminates the possibility of rent-seeking behavior and tends to eliminate the inefficiencies associated with corruption. Three measures are used here to test this hypothesis: a) economic openness as measured by the average value of imports and exports as a percentage of GDP during the decade of the nineties (Vial and Cornelius 2002, 20); b) economic competitiveness based on a composite index taken from the Global Competitiveness Report (2003-2004); and c) the extent of structural reforms based on an index measuring privatization of state enterprises, liberalization, fiscal and labor reforms (Lora 2001). The results in Table 6 fail to duplicate the broader cross-national patterns linking corruption to economic openness or structural reforms. In fact structural reform leaders like Bolivia and Peru exhibit relatively high levels of corruption, while reform lagers like Uruguay and even Costa Rica have much lower levels of corruption. The competitiveness index, by contrast, correlates robustly with corruption, supporting the underlying thinking of neoliberalism that corruption distorts the business climate and prospects for growth. Yet like rule of law, this factor too may border on tautology since business opinion weighs heavily in the calculation of both the competitiveness and the corruption indexes. Still, this finding certainly raises questions about the impact of corruption on business and the economy.

[Table 6]

[Figure 3]

Consequences of Corruption in Latin America

Turning to consequences, the pre-empirical literature on corruption featured a lively debate about the impact of corruption. During the period many observers (the so-called “functionalists”) posited that corruption could be helpful in overcoming the political and economic problems associated with development (e.g. Huntington 1968; Leff 1964; Nye 1967). Serving as the proverbial grease lubricating the political machine, corruption, they pointed out, often helps cut through bureaucratic red tape, promote bureaucratic efficiency, stimulate investments, and facilitate the hidden exercise of elite power. Others, however, countered that like sand in the wheels, corruption undermines the objectives of public policy, fosters rather than reduces inefficiencies, distorts public spending and thus cripples economic growth and development (e.g. Rose-Ackerman 1978; Myrdal 1970). Undoubtedly cross-national empirical work showing that corruption undermines popular support for democratic institutions and reduces investments and economic growth (see Table 1) has quieted much of this debate confirming the “sand-in-the-wheel” thesis (Kaufmann and Wei 1999). This section explores key political and economic consequences of corruption for the countries of Latin America.

On the political side, the primary consequence of corruption centers on the public’s confidence in political institutions and regime legitimacy. Three variables are used to measure these variables: a) satisfaction with democracy, b) confidence in democratic institutions (both measured by data from the Latiobarometro polls) and c) voter turnout (percent of eligible voters who voted in presidential elections from 1998-2000 (Payne et al. 2002). Table 7 presents the correlation coefficients. As suggested, citizens in countries with higher levels corruption tend to express less confidence in the political system and less satisfaction with democracy. Looking at Figure 4, however, shows that while in countries with low levels of corruption like Chile and Uruguay the population does express greater confidence in the government, the relationship for the remaining countries appears rather weak. Confidence in the government in Costa Rica, for instance, parallels the levels of confidence found in other countries like Honduras, despite the huge gap in their respective levels of corruption. Even so, despite these findings, the level of corruption does not seem to translate into the act of voting though again the direction of the coefficient suggests that turnout may be slightly higher in countries with lower levels of corruption.

[Table 7]
[Figure 4]

Table 8 focuses on the economic consequences of corruption. It explores the impact of corruption on the average annual rate of GDP growth measured from 1995 to 2000 and 1997 to 2001, export growth from 1995-2000, and stock and flow measures of foreign investment (stock and flow) as a percentage of GDP during the 1995-1999 period. According to cross-national results, corruption is expected to lower growth, exports and investment. But as shown here, despite the robust findings in the broader literature, the relationship for the countries of Latin America is rather weak. Though the directions of the correlations are generally consistent, suggesting that corruption may slightly lower the level of growth, export expansion and foreign investment, none of the relationships are statistically significant or particularly strong. Countries like Mexico and the Dominican Republic, for example, enjoyed more economic growth during the period than expected given their levels of corruption, while foreign investment in Bolivia as a percentage of GDP was as high as Chile’s despite their varying levels of corruption. Likewise, Mexico and Venezuela enjoyed stronger export growth than Peru or Uruguay, again despite the fact that both suffer higher levels of corruption.

[Table 8]
[Figure 5]

A final economic variable explored here is a country’s credit rating. Though not explored in the cross-national literature, credit ratings indicate the confidence of the financial community in a country’s economy. Not surprisingly a strong correlation was found linking corruption to a credit rating, a finding that remained robust even after controlling for a nation’s GDP per capita. Methodologically, the views of the financial community that set credit ratings are also expressed in the CPI polls, so again the issue of tautology emerges. To some degree, the two measures may tap into the same underlying images held about these countries by investors. But which influences which? Contrary to expectations, it can be argued that a country’s credit rating, widely known among business people surveyed about corruption, may actually influence their perceptions about corruption in a country as opposed to any objective sense of the true level of corruption: one of the many methodological dilemmas referred to earlier. So while the corruption-credit rating link is not particularly surprising, what is surprising is the lack of any direct

correlation linking credit rating and the stock or flow of foreign investments and hence economic growth among the countries of Latin America.

[Figure 6]

Corruption and Change

The static data used in cross-national empirical studies provide few insights into the nature of change. The CPI measures corruption at different points in time suggesting a means to measure changes, but there is very limited variation among the measures and many underlying methodological problems. As Johnston (2000, 13) notes, it is difficult to look at change over time [using the CPI] since one “cannot tell us whether year-on-year differences reflect changes in ‘real’ levels of corruption, the addition of new data that improve the scale or other methodological difficulties that weaken it.” By contrast, the Latinobarometro poll provides a more direct measure of change in corruption by asking the public directly whether corruption has increased, decreased or remained about the same compared to the previous year or years. Table 9 shows the percentage of respondents stating in the 2003 regional poll that corruption had been reduced “some” or “a lot” over the past two years. It is noteworthy that despite the existence of high-profile anti-corruption campaigns in most countries, many with financial and technical support from of the World Bank, the IMF, or the US government, and despite the signing of the 1996 OAS treaty against corruption, the first such convention of its kind, substantial portions of the populations throughout Latin America in 2003 hold the view that corruption has either increased or remained the same.

[Table 9]

Using this measure of change, two questions are explored here. First, does economic growth or satisfaction with the economic situation facilitate the reduction in the perceived level of corruption either in a direct sense of providing the government the wherewithal to tackle corruption or perhaps in an indirect sense of simply giving the appearance of less corruption? The second question relates to the political consequences of perceived changes in the level of corruption: does a reduction in corruption translate into greater confidence in the government or a growing satisfaction with democracy? As shown in Table 10 and Figure 11, there is no direct correlation among these variables. Perceived changes in corruption are not linked to economic improvement or to an increasing confidence in the political institutions. This latter finding is perhaps the most intriguing. As shown in Figure 12, while increases in political confidence in countries like Colombia or Nicaragua may be grounded in part on changes in the perceived levels of corruption, this is not the case in Guatemala or Bolivia.

[Table 10]

[Figure 7]

Conclusion

The compilation of data for corruption has had a tremendous impact on the study and the politics of this once neglected political phenomenon. Armed with data, the dominant approach within the sub-field has shifted from the more obscure theoretical writings and qualitative case studies of the early years to the more robust and higher-profile quantitative cross-national studies and intense methodological debates of today. In less than a decade, cross-national studies have tested scores of hypotheses derived from the theoretical works of the past, discarding some even once-accepted notions regarding the causes and consequences of corruption. The intense “functionalist” debate of the sixties and seventies over the tonic versus toxic effects of corruption that marked the study of corruption, for instance, has been sufficiently buried under reams of data demonstrating that corruption undermines economic growth and investment and political well being.

The proliferation of data on corruption coupled with statistical demonstrations of its causes and consequences has also altered the political equation. International financial institutions and foreign governments that once shied away from any mention of corruption – particularly among their client states – have not only become global leaders in sponsoring cross-national research on corruption, but have also crafted and promoted anti-corruption reforms among their clients. Arguably these organizations have attempted to de-politicize the phenomenon, turning the concept of corruption into the more technical language of efficiency, governance and transparency. After all, organizations like the World Bank and the IMF are prohibited by their charters of promoting any particular type of political system. This pattern reproduces itself at the domestic level. Rather than using

innuendo, political activists can now point to the many “objective” measures showing the extent of corruption in their country. They can compare corruption in their country to that of the neighbors, putting into sharp relief the nation’s shortcomings. Moreover, they can offer scientific proof of the ill effects stemming from the scourge of corruption. Often in alliance with those outside the country, political activists ---and particularly opposition leaders - can thus build a much more convincing case for reform, shaming political leaders with objective data rather than accusations.

The benefits of the analytical and the political changes with regard to corruption are clear: heightened attention to and a broader understanding of political corruption. But the analytical and the political leaps may miss some of the nuances regarding the nature of corruption, particularly mid-level theory and regional tendencies, all leading to inappropriate foundations for action. An analysis of corruption in the countries of Latin America provided here confirms some of the findings from cross-national studies, but not all. For example, corruption in Latin America was found to be inversely related to level of development and level of political competition, consistent with the cross-regional studies, but unrelated to state spending or economic openness. While strengthening democracy implies a reduction in corruption and greater rule of law, in Latin America the number of years a country has enjoyed democratic elections seems unrelated to both factors. Other differences can also be seen. Despite the cross-national evidence, interpersonal trust seems to have no direct impact on the level of corruption in Latin America. The level of corruption even fails to translate into popular perceptions regarding the change in corruption or its political importance. Though Chile seems almost immune from the corruption problems of its Latin brethren, the Chileans consider it a major problem and a growing one at that. While certainly a range of factors combine to determine economic growth and satisfaction with democracy, the analysis here shows weak or no direct linkage to a country’s level of corruption. Perceptions of corruption certainly factor into the business communities’ determinations of credit ratings and competitiveness, but not to economic growth or investments. So despite the global consensus rooted in the cross-national studies, corruption does not seem to translate directly into lowered economic growth or investments for the countries of Latin America.

At the same time, factors like inequality seem to surface to help explain the higher levels of corruption in Brazil and Mexico and the lower levels exhibited in Chile and Costa Rica compared to their respective levels of development. The high level of administrative regulations may similarly help account for the higher levels of corruption in Mexico and Venezuela compared to their levels of development. Ethno-linguistic fragmentation, in turn, may help explain the higher levels of corruption found in Paraguay and Ecuador. And yet the analysis identified few factors that might account for the high level of corruption registered in Argentina. With a level of development, level of inequality and ethno-linguistic factionalism comparable to Chile and an average level of administrative burden, Argentina remains a significant outlier with much higher levels of corruption than expected.

In the end then, extrapolating from the cross-national studies to support a demand for reform at the individual country level may be good politics, but not good science. This is not to gainsay the importance of either the theoretical approaches of the past or the cross-national empirical works of the today, but merely to suggest the importance of mid-range theory and regional studies. As is true in most other areas, much more needs to be done to link the qualitative case studies of corruption to the quantitative cross-national studies. Highlighting areas where Latin American countries differ from the broader trends as done here thus really just begs many questions as to the nature of corruption in a region long characterized by it.

Endnotes

¹ And yet despite such cross-national findings, recent experience shows corruption to have increased in the new democracies and in liberalizing economies (see, for example, Manzetti 1994; Manzetti and Blake 1996; and Weyland 1998). As Robinson (1998, 2) notes, “democratic structures have proved markedly ineffective in curbing the spread and tenacity of corrupt practices in developing countries.”

² Polls for the Latin American countries include surveys by the Institute for Management Development (“World Competitiveness Report”), the World Economic Forum (“Global Competitiveness Report”), the World Bank (“World Business Environment Survey”), the Economist Intelligence Unit (“Country Risk Service” and “Country Forecast”), Pricewaterhouse Cooper (“Opacity Index”), and Columbia University (“State Capacity Survey”).

³ The original study dates Mexican democracy beginning in 1982. I changed this datum to 1997 as being more accurate because of the 1996 electoral reforms that granted autonomy to the Federal Electoral Institute (IFE), made elections free and fair and prompted the PRI’s loss of its majority in Congress.

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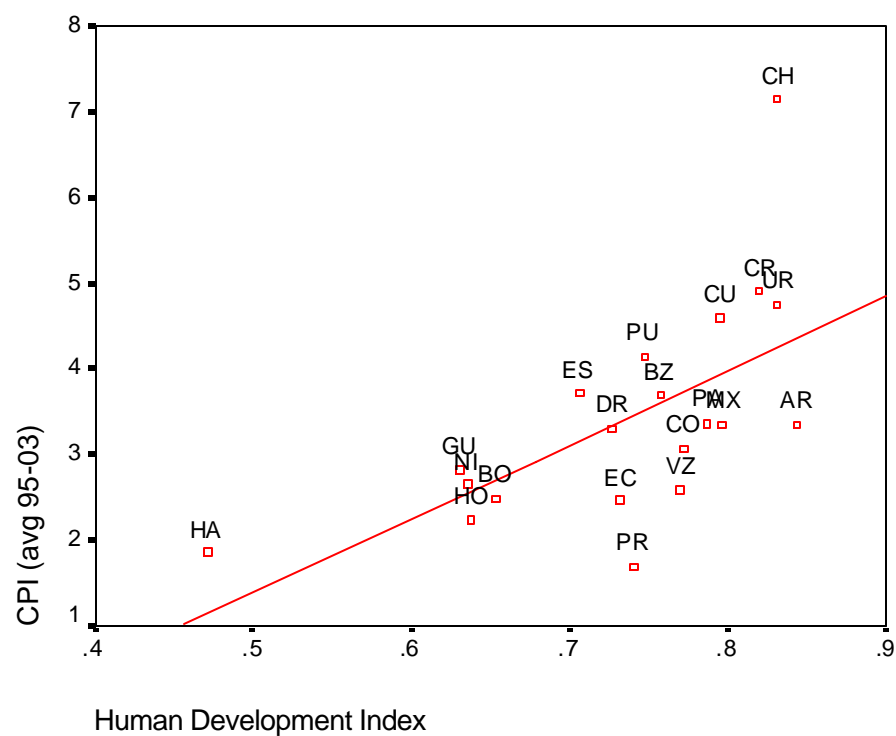
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**Table 1. Corruption Perception Index (CPI) for Latin America
(Transparency International)**

(0 = most corrupt; 10 = least corrupt)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Avg.	Rank
Argentina	5.24	3.41	2.81	3.0	3.1	3.5	3.5	2.8	2.5	3.34	10
Bolivia		3.40	2.05	2.8	2.5	2.7	2.0	2.2	2.3	2.49	17
Brazil	2.70	2.96	3.56	4.0	4.1	3.9	4.0	4.0	3.9	3.69	8
Chile	7.94	6.80	6.05	6.8	6.9	7.4	7.5	7.5	7.4	7.13	1
Colombia	3.44	2.73	2.23	2.2	2.9	3.2	3.8	3.6	3.7	3.08	13
Costa Rica				5.6	5.1	5.4	4.5	4.5	4.3	4.90	2
Cuba									4.6	4.60	4
Dominican R.							3.1	3.5	3.3	3.30	12
Ecuador		3.19		2.3	2.4	2.6	2.3	2.2	2.2	2.46	18
El Salvador				3.6	3.9	4.1	3.6	3.4	3.7	3.72	7
Guatemala				3.1	3.2	2.9	2.5		2.4	2.82	14
Haiti								2.2	1.5	1.85	20
Honduras				1.7	1.8		2.7	2.7	2.3	2.24	19
Jamaica									3.8	3.80	6
Mexico	3.18	3.30	2.66	3.3	3.4	3.3	3.7	3.6	3.6	3.34	10
Nicaragua					3.1		2.4	2.5	2.6	2.65	15
Panama							3.7	3.0	3.4	3.37	9
Paraguay				1.5	2.0			1.7	1.6	1.70	21
Peru				4.5		4.4	4.1	4.0	3.7	4.14	5
Uruguay			4.14	4.3				5.1	5.5	4.75	3
Venezuela	2.66	2.50	2.77	2.3		2.7	2.8	2.5	2.4	2.59	16

Figure 1. Corruption and Level of Development



R = .63**
 (*p < .05, ** p < .01)
 (n=20)

Table 2. Corruption and Education controlling for GDP/pc
 (Standardized Beta Coefficients)

	<u>CPI</u>
Education Index	.14
GDP pc 1999	.52
(adjusted) $r^2 =$.324

Table 3. Corruption and Democracy
 (correlation coefficients, one-tailed, n = 19/20)

	<u>CPI</u>
Political Rights (1995-1996)	-.20
Political Rights (2001-2002)	-.24
Civil Liberties (1995-1996)	-.28
Civil Liberties (2001-2002)	-.29
Years democratic (1980-2000)	-.13

Number of Parties (1996-2001) .22

(*p < .05, ** p < .01)

Table 4. Corruption and State Size
(correlation coefficients, one-tailed, n = 19/20)

	<u>CPI</u>
Govt Spending (% of GDP 2000)	-.11
Burden of Administrative regulations	-.51*
Rule of Law (2001)	.85**

(*p < .05, ** p < .01)

Figure 2. Corruption and Interpersonal Trust (1996-2001)

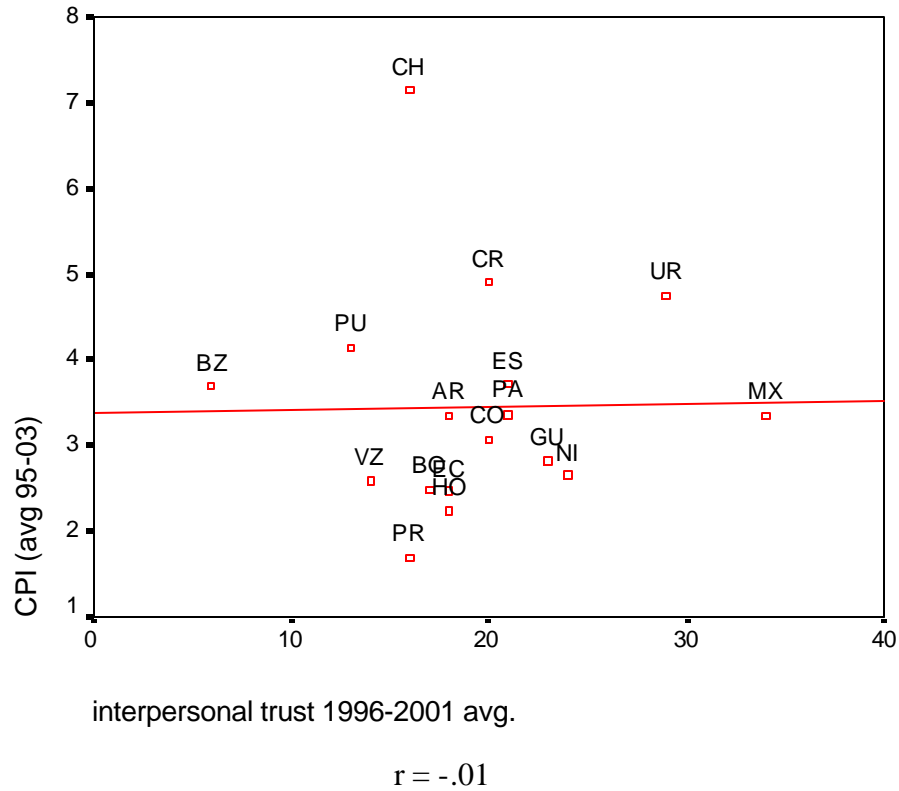


Table 5. Mean Levels of Corruption by Level of Ethno-linguistic Fragmentation.
(Comparison of Means) (n = 16)

<u>Level of Fragmentation</u>	<u>CPI</u> (n)
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High	2.79	9
Medium	3.13	4
Low	3.86	4
<i>Eta Score</i>		.374

Table 6. Corruption and Inequality and Economic Openness
(correlation coefficients, one-tailed, n = 18)

	<u>CPI</u>
Gini index	-.16
Richest 10%	-.50* (figure below)
Economic Openness	.19
Structural Reform Index	.07
Competitiveness	-.86**

(*p < .05, ** p< .01)

Figure 3. Corruption and Income of the Richest 10%

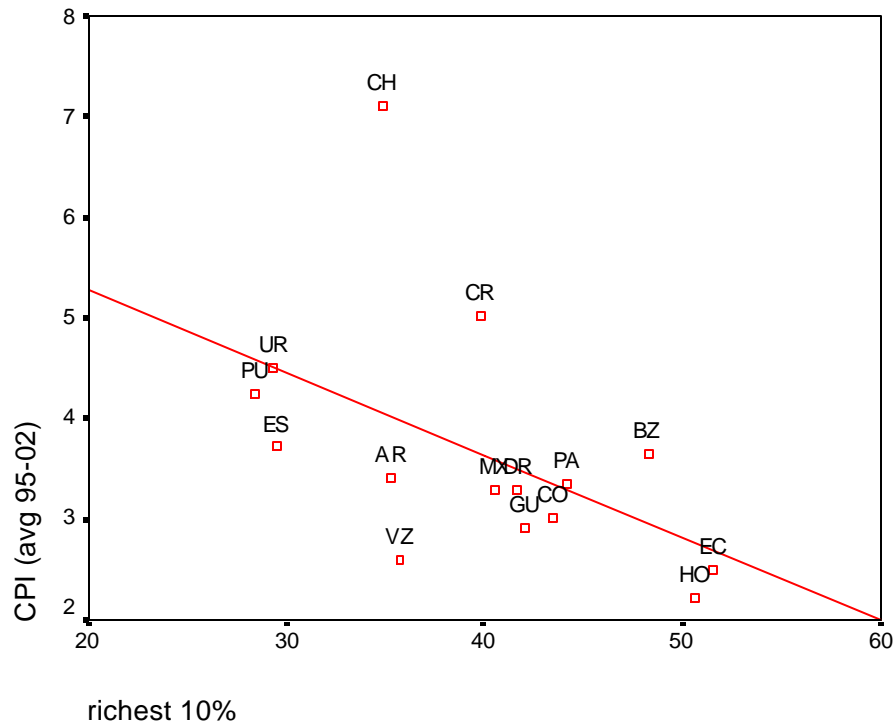
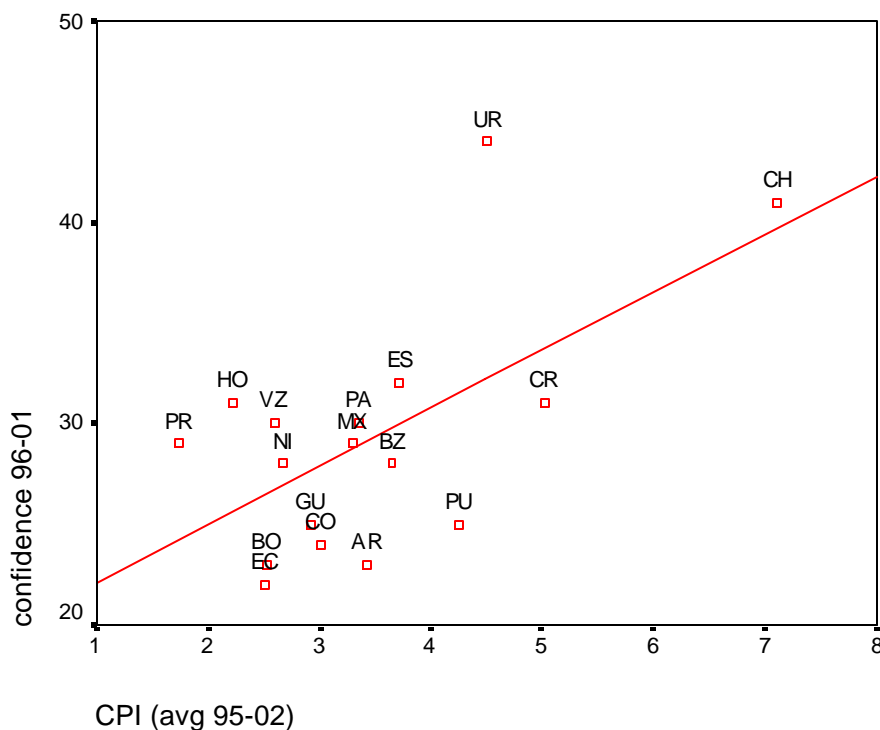


Table 7. Political Consequences of Corruption

(correlation coefficients, one-tailed, n = 18)

	<u>CPI</u>
Satisfaction with democracy	.36
Confidence in the government	.61** (figure below)
Voter turnout	.30

(*p < .05, ** p< .01)

Figure 4. Confidence in the Government and Corruption**Table 8. Economic Consequences of Corruption**

(correlation coefficients, one-tailed, n = 18/19)

	<u>CPI</u>
GDP growth 1995-2000	.31
GDP growth 1997-2001	.18 (figure below)
Export growth 1995-2000	.21
Foreign Investment as % of GDP - Stock 1999	.16
Foreign Investment as % of GDP - Flow 1995-1999	.16
Credit Rating	-.78** (figure below)

(*p < .05, ** p< .01)

Figure 5. Avg. Annual GDP Growth (1997-2001) and Corruption

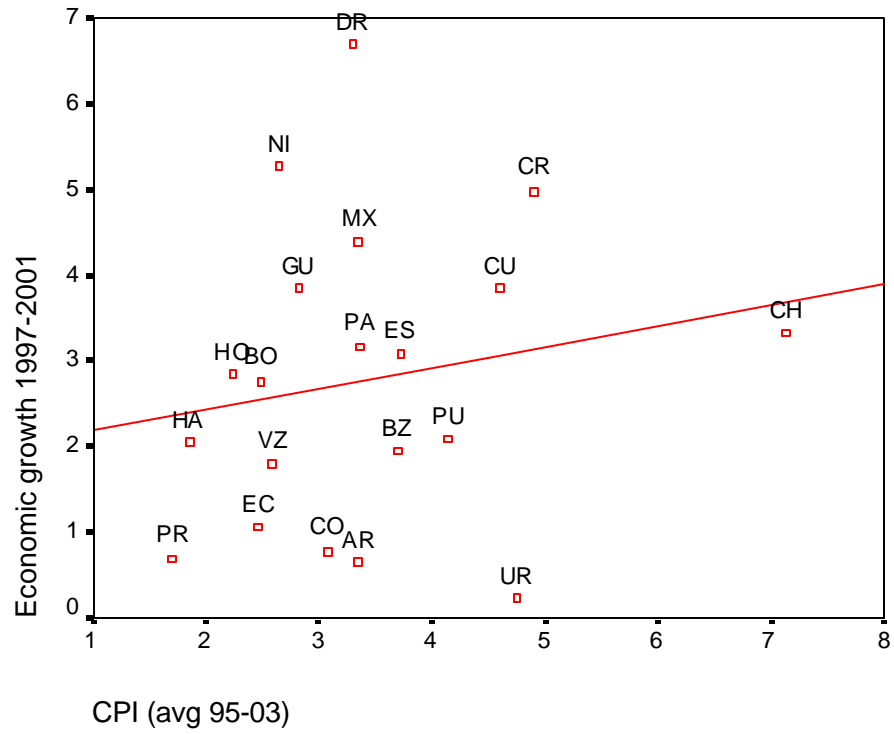


Figure 6. Credit Rating and Corruption.

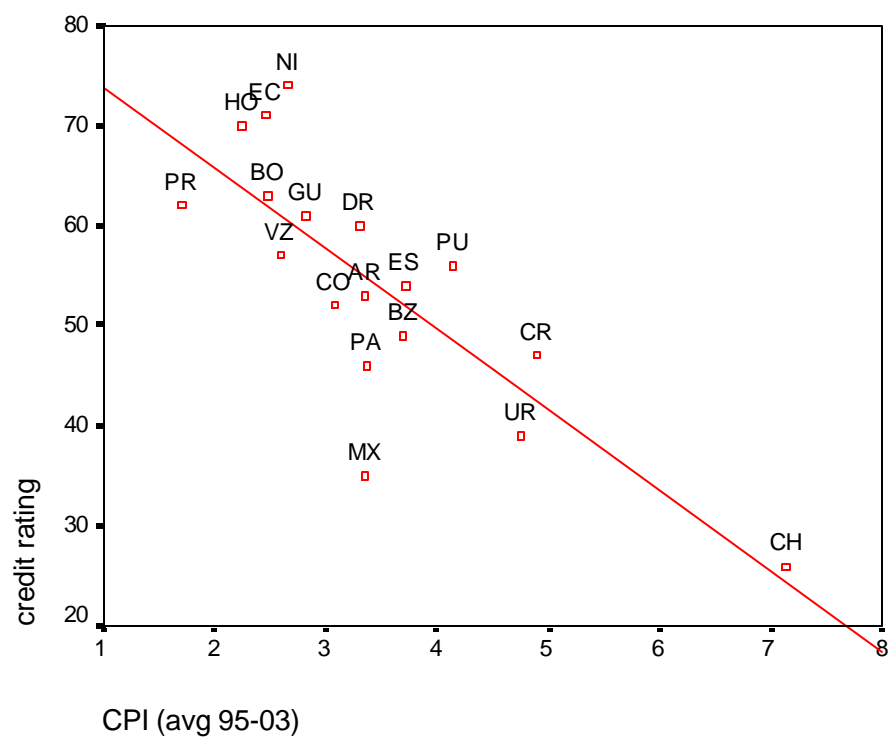


Table 9. Changes in Corruption (2001-2003)

Percentage of respondents stating “mucho” or “algo” to the question: How much has corruption been reduced in the past two years? (*Latinobarometro* 2003, cited in *La Reforma* November 1, 2003)

Colombia	57
Nicaragua	38
Uruguay	36
Chile	36
Mexico	29
Costa Rica	28
Brazil	28
Honduras	27
Argentina	26
Peru	24
El Salvador	24
Paraguay	23
Venezuela	22
Ecuador	21
Bolivia	17
Panama	16
Guatemala	10

Table 10. Change in Corruption 2001-2003

(correlation coefficients, one-tailed, n = 18)

	<u>Change in Corruption</u>
Satisfaction with market economy	.05
Economic Growth 1997-2001	-.15
Change in Satisfaction with Democracy 1996-2003	.22 (figure below)

(*p < .05, ** p< .01)

Figure 7. Change in Corruption and Change in Satisfaction with Democracy

