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**LEGAL CORRUPTION: A WAY TO EXPLAIN
CITIZENS' PERCEPTIONS ABOUT THE RELEVANCE
OF CORRUPTION**

**CORRUPÇÃO LEGAL: UMA MANEIRA DE EXPLICAR
A PERCEPÇÃO DOS CIDADÃOS SOBRE A
RELEVÂNCIA DA CORRUPÇÃO**



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Thesis submitted to the University of Aveiro in fulfilment of the requirements for the degree of Master in Political Science, and scientifically supervised by PhD Luís Manuel Macedo Pinto de Sousa, Auxiliary Professor of the Department of Social, Political, and Territorial Sciences of the University of Aveiro.

To Lucianna, my wife and eternal responsible for my achievements in life.

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Keywords

legal corruption, perceptions, political deterioration, cross-country analysis.

Abstract

Corruption, a word with an illicit identity that represents a major public problem for citizens. In fact, this apparent unquestionable common sense statement does permeate recent political discourses or even cutting-edge academic research. But, indeed, what may be wrong with this well-accepted assertion? And why is it characterized as a possible mistaken assumption? Both questions can be summed up in one direct answer: corruption is much more than illegalities, it is also a 'beyond the law' concern with social implications. Little attention has been given to evaluate corruption as an exclusive combination of pure licit behaviors. This alternative approach has always assumed a marginal or even complementary status in the comprehension of the phenomenon. This thesis affirms that illegalities offer a relevant, but incomplete contribution. For this reason, they must be set aside in order to unveil how legalities affect citizens' perceptions about corruption as a whole.

Undoubtedly, it is easier to establish objective parameters to limit the measurement of corruption to a mere evaluation of prosecutions, condemnations, or even perceptions about the commitment of illegal actions. However, corrupt behaviors proved to be resilient essentially because of their capacity to resemble both socially and normatively accepted as necessary for the ordinary democratic political operation. A renewed methodological approach is here proposed to demonstrate why legality in corruption matters. Thus, legal corruption must be put in evidence in order to verify how corruption appears as a pervasive, adaptable, dangerous for politics, and widely accepted major problem, especially in the public sector. Such methodology does not aim to incorporate 'beyond the law' elements in a broader corruption measurement, as usually attempted. On the contrary, it will isolate what is considered purely lawful, although corrupt, to deeply explore its specific effects on citizens' perceptions.

In essence, this thesis aims to show that legalities are more important to define the relevance of corruption than illicitness. It also wants to identify what should count as sufficient to determine such legal corruption. In this context, socioeconomic factors proved to be fundamental, especially 'Internet Usage' and 'Wastefulness of Government Spending'.

Finally, it is possible to conclude that legality in corruption can be unveiled by simply asking citizens if they consider corruption a relevant problem in the public sector of advanced democracies or quasi-democracies, instead of asking directly about specific dimensions of corruption. It is also possible to perceive if corruption is a relevant public problem without directly asking citizens about corruption, but about general socially accepted misconducts with regards to legal corruption, such as the necessity of establishing personal contacts to get things done; the capacity of distorting rules, norms, and statutes in order to make private interests resemble licit and politically acceptable; and the governments' ability to do what tradespeople want without hindering citizens' wills.

Palavras-chave

corrupção legal, percepções, deterioração política, análise comparada.

Resumo

Corrupção, uma palavra com identidade ilícita que representa um grande problema para os cidadãos. De facto, esta afirmação – aparentemente inquestionável e baseada no senso comum – permeia discursos políticos recentes ou até mesmo pesquisas académicas de ponta. Mas, em verdade, o que pode estar errado com esta afirmação tradicionalmente aceite? E por que caracterizá-la como equivocada? Ambas as questões podem ser resumidas em uma única e objetiva resposta: corrupção não se refere tão somente a ilegalidades, mas também a interesses ‘para além da lei’ que possuem implicações sociais. Pouca atenção tem sido dada à avaliação da corrupção sob uma perspectiva meramente lícita. Esta abordagem alternativa sempre foi marginal ou mesmo complementar. Esta tese afirma que a caracterização da corrupção como algo ilegal oferece uma contribuição relevante, mas incompleta para o entendimento do fenómeno. Por esta razão, deve ser posta de lado, a fim de se desvendar como apenas as legalidades afetam as percepções dos cidadãos sobre a corrupção como um todo.

Sem dúvida, é mais fácil estabelecer parâmetros objetivos para limitar a medição da corrupção a uma mera avaliação de processos, de execuções penais ou mesmo de percepções sobre o cometimento de atos ilegais. Entretanto, o comportamento corrupto se mostra resiliente essencialmente devido à sua capacidade de parecer socialmente e normativamente aceite como necessário ao normal funcionamento político democrático. Uma renovada abordagem metodológica é aqui proposta para demonstrar a importância do papel da legalidade perante a corrupção. Logo, a corrupção legal deve ser colocada em evidência para que seja possível verificar como a corrupção (em sentido mais amplo) aparece como um invasivo, adaptável, politicamente perigoso e amplamente aceite problema, especialmente no setor público. Tal metodologia não pretende incorporar elementos ‘para além da lei’ em uma mensuração mais alargada da corrupção, como é usualmente feito. Pelo contrário, ela isolará o que é considerado puramente legal, embora corrupto, para explorar mais detalhadamente seus efeitos específicos sobre as percepções dos cidadãos.

Em essência, esta tese pretende mostrar que as legalidades são mais importantes para definir a relevância da corrupção do que as ilegalidades. Também busca identificar o que deve contar como suficiente para determinar essa tal corrupção legal. Neste contexto, fatores socioeconómicos provaram ser fundamentais, especialmente aqueles relacionados ao ‘Uso da Internet’ e ao ‘Desperdício dos Gastos do Governo’.

Finalmente, é possível concluir que a legalidade na corrupção pode ser compreendida simplesmente ao se perguntar aos cidadãos sobre a relevância da corrupção como um problema no sector público de democracias avançadas ou quasi-democracias, ao invés de se perguntar diretamente sobre dimensões específicas da corrupção. De igual modo, é possível perceber se a corrupção é um problema público relevante sem se pedir diretamente aos cidadãos para que respondam sobre corrupção, mas sim sobre condutas abusivas, socialmente aceites e relacionadas a características lícitas da corrupção, tais como a necessidade de se estabelecer contactos pessoais para fazer as coisas acontecerem nos serviços públicos; a capacidade de distorcer as regras, normas e estatutos a fim de fazer os interesses privados parecerem lícitos e politicamente aceitáveis; e a habilidade dos governos para fazer exatamente aquilo que industriais e comerciantes desejam sem obstruir os interesses dos cidadãos.

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List of Abbreviations

BRICS: *Brazil, Russia, India, China, and South Africa*

CPI: *Corruption Perceptions Index*

E&E: *Efficiency and efficacy*

FH: *Freedom House*

GCB: *Global Corruption Barometer*

GCR: *Global Competitiveness Report*

GDP: *Gross domestic product*

IMF: *International Monetary Fund*

ITU: *International Telecommunication Union*

KMO: *Kaiser-Meyer-Olkin measure*

OECD: *Organisation for Economic Co-operation and Development*

OLS: *Ordinary Least Squares regression method*

r: *Pearson's correlation coefficient*

R²: *Coefficient of determination*

T&A: *Transparency and Accountability*

TI: *Transparency International*

UNDP: *United Nations Development Programme*

WB: *World Bank*

WEF: *World Economic Forum*

WGI: *Worldwide Governance Indicators*

Chapter 1

Introduction

Corruption, a word with an illicit identity that represents a major public problem for citizens. This apparent unquestionable common sense statement has been permeating recent political discourses or even cutting-edge academic research. But, indeed, what may be wrong with this well-accepted assertion? And why is it characterized as a possible mistaken assumption? Both questions can be summed up in one direct answer: corruption is much more than illegalities, it is also a ‘beyond the law’ concern with social implications.

Everyone has an idea about what corruption is. Common sense always refers to it as something illegal and directly connected with an illicit conduct. A preliminary approach may simply classify the corrupt act just as a “behavior which deviates from the formal duties of a public role because of private-regarding [...] pecuniary or status gains; or [as a] violat[ion of] rules against the exercise of certain types of private-regarding influence” (Nye, 1967, p. 419), but it is not that simple. Mark Philp, a reputed British political philosopher, once noticed that a legal act can still be corrupt (Philp, 1997, p. 441). This important statement highlights that it is possible to find corruption in an atmosphere surrounded by apparent legality and that a corrupt act can be not only supported by norms, but also accepted by citizens as necessary for politics to run properly, i.e., a behavior may be lawful, socially underpinned, politically mandatory, and still corruptive. In sum, the combination of these three not well-categorized factors – legality, social tolerance, and political usage – is exactly what constitutes the basis for ‘legal corruption’¹ itself and represents the starting point of this study.

Obviously, it will not be easy to describe the intrinsic legality of a corrupt act. Nowadays, legal corruption has been seen as a yet imprecise concept. Many efforts were done to savvy this puzzling phenomenon and, as a consequence of its immaterial meaning, research

¹ Legal corruption and its complexities will be precisely defined and explained in chapter 2, especially in section 2.2.

basically focused on perceptions to find measures and explanations (Castro, 2008; Dincer & Johnston, 2015; Kaufmann & Vicente, 2005, 2011; Light, 2013). This thesis will follow a perceptual approach too, but with a novelty: legal corruption will be not operationalized through opinions of businessmen, academics or specific groups in society (such as journalists, public servants, or employees of non-governmental organizations). Information will come from general public, i.e., citizens' perceptions will be used to make the concept more tangible and representative.

Of course, perceptions are always a little problematic manner to evaluate and explain social phenomena. Corruption does not give rise to positions for or against because nobody is in favor of corruption (de Sousa, 2008, p. 11). However, even if survey responses do not reflect exactly the reality, they are a valid and feasible way to access people's opinion and a yet possible form to make comparisons among countries. Furthermore, this thesis does not aim to capture real levels of corruption, but the importance of perceptions in the process of influencing politics instead. In essence, changing the way corruption is perceived today (by considering moral and ethical standards that go beyond the limits of juridical norms) will make possible to reduce the commitment of corrupt acts tomorrow.

Considering that corruption persists as an endemic scourge, this thesis tries to explain that its maintenance as a primary public problem does not directly refer to the fact that it has illicit causations, but to the fact that it is pervasive, self-sustainable (see Mishra, 2006, p. 350), and determined by moral terms. Legal, social, and political approved corrupt acts may be the reason for the continuity of evidenced corruptions in ambiances full of anti-corruption agencies and public transparency instruments. As once pointed by Di Pietra & Melis (2015, pp. 3–4), “when corruption occurs across legal, cultural, and organizational boundaries, it becomes a complex and rich phenomenon to explore”. ‘Beyond the law’ corrupt dimensions must be then unveiled.

1.1. Research question and objectives

After this brief contextualization, it is possible now to present objectively the basic characteristics of the proposed thesis. First of all, corruption will work as a main topic and will serve as a guidance for the entire research. Next, a precise research question arises directly from this corrupt *problématique*: ‘Can legal corruption explain the reason why corruption itself is perceived as an important public problem among countries?’ Consequently, to answer this question, it will be necessary to better understand what legal

corruption is. A solid literature review will describe such central concept and a group of variables² that directly refers to a combination of three specific kinds of corruption – cultural, political, and metasystemic (see de Sousa, 2011, pp. 39–43) – will be used to operationalize it. After understanding the measurement process and its implications, another question (complimentary, but not unimportant) should be answered: ‘What determines legal corruption?’ It will be then built an elucidative interpretation to decode the influence of specific socioeconomic elements (conditions of public transparency, accountability, efficiency, efficacy; and macroeconomic robustness) on legal corruption.

In sum, comprehending theoretically what legal corruption is, learning how to measure it, observing how it exerts influence on the perception of the relevance of corruption, and explaining how it is determined in advanced democracies and emerging industrialized countries, will broaden our knowledge about a phenomenon that still represents a disputable concept (Dincer & Johnston, 2015; Kaufmann & Vicente, 2011; Lessig, 2013a, 2013b; Newhouse, 2014; Thompson, 2013) with serious political implications. Moreover, by doing so, a new way of perceiving the corrupt act itself is about to emerge, i.e., corruption has been widely studied, explained and demonstrated via its implicit illegal dimension, but not much effort has been done to deeply understand its intrinsically licit characteristics.

Understanding corruption as something supported by both law and sociopolitical acceptance means changing how to fight against it and orient public policies. It is also relevant to note that a comparative cross-country analysis will serve as an important tool to categorize legal corruption and to describe ‘beyond the law’ corrupt tendencies and patterns throughout the evaluated nations.

Another important task is to present the goals of this research. First, it aims to (i) explain in which circumstances legal corruption can work as a key point to better understand the relevance of corruption and (ii) define what should count as necessary to determine such ‘beyond the norm’ corruption in capital-oriented countries. Next (as a secondary goal), it is also desired to (iii) develop a citizens’ perception-based measurement for legal corruption.

1.2. Essential auxiliary concepts

Definitions of corruption, such as legal corruption and its illegal counterpart, will be precisely described in chapter 2 and discussed throughout the thesis. However, some other necessary

² These variables will be described in Chapter 3, subsection 3.2.1.3.

concepts will permeate the entire research process – including the foregoing definitions of corruption. I will call them ‘Essential Auxiliary Concepts’. The apparent contradiction between these two qualitative terminologies (essential and auxiliary) is intentional and explicable: these elements will serve to substantiate almost all discussions and allegations henceforth.

The first ‘Essential Auxiliary Concept’ is the ‘Relevance’ of corruption as a major public problem. ‘Relevance’ was quoted, because it should be seen as the center of the proposed definition. Corruption will be further explored in subsequent chapters, but the term ‘Relevance’ (usually marginalized in theories of corruption) needs to be described before discussions begin. In this sense, the relevance of corruption here is equivalent to a set of latent, persistent, and adaptable corrupt behaviors which is repeated through time and sufficient to cause disturbances to the current public order. The second ‘Essential Auxiliary Concept’ is the one related to ‘Advanced Democracies’³, i.e., well-established electoral democracies (members or candidates) of the Organisation for Economic Co-operation and Development (OECD). The third (and last) ‘Essential Auxiliary Concept’ refers to ‘Emerging Industrialized Countries’. A macro-combination of two classes of countries: (i) the emerging economies – “localities which create opportunities for businesses [...] [w]ith context typically characterized by, among other features, inefficient markets, active government involvement, extensive business networking, and high uncertainty, [that] challenge the efficacy of business models and theories” (Xu & Meyer, 2013, p. 1322) – and (ii) the newly industrialized nations⁴ – “[t]raditionally less developed countries which have made profound structural changes in their economies under conditions of a fast growth rate” (Bożyk, 2006, p. 164)⁵.

1.3. Basic structure of the thesis and the organization of chapters

Based on the guidelines presented in this introductory section, chapter 2 will focus on reviewing literature. In this context, the theoretical evolution of corruption will be discussed and both classical and contemporary perspectives will be described in detail. The objective is to understand how corruption has been historically studied since remote epochs and how

³ Dalton, Scarrow, & Cain (2004) discussed about possible interconnections between advanced industrialized democracies and politics. Their interpretation of advanced democracy is also based on OECD membership or partnership.

⁴ For more information, see the book *Globalization and the Transformation of Foreign Economic Policy* (Bożyk, 2006), especially in its section 7.3.

⁵ Russia was considered because of its interpenetrating relations with both set of countries. It has historical connections especially with European OECD countries, it is one of the BRICS (Brazil, Russia, India, China, and South Africa), and it has a huge and diversified industrial park. These conditions advocate for country’s inclusion in the study.

it has become a recurrent subject, especially in capital-oriented democracies and quasi-democracies. Cutting-edge discussions about the resilience of corruption and its ‘beyond the law’ implications will be critically analyzed. After that, legal corruption will be defined and explored in conceptual terms. Discussions about bribery, extortion, and embezzlement will be held to determine precise boundaries for a definition of legal corruption. Besides that, mainstream definitions will be also displayed and will serve to understand what corruption has to do with legality itself. Finally, legal corruption will be presented in political terms, i.e., as a degeneration of politics.

In chapter 3, the methodology will be dissected. The building blocks of the research will be described carefully. In this context, perception-based, cross-national, and quantitative elements will be investigated. Next, the objectives of the thesis will be properly operationalized. Describing all hypotheses and their implications will facilitate the evaluation of the results in the following chapters. Finally, multivariate econometric models to explain both the relevance of corruption and legal corruption will be developed.

Chapter 4 will offer a ‘beyond the law’ explanation for the relevance of corruption. Necessary discussions will enhance the comprehension of the phenomenon. The first one will be about the relevance of corruption as a public problem. Is it really true? Is corruption in fact a very serious perceived public problem? Three distinct categories of countries will be defined (one in which corruption is seen as totally endemic and problematic in public terms, other in which the limits between legality and illegality have been contested, and another one in which corruption is socially controlled, but not inexistent). Additionally, some pertinent potential exceptions will be discussed and integrated into the proposed explanatory linear models. Lastly, good measures to explain the relevance of corruption will be presented: a rival illegal explanation will be contested, control sociocultural interactions will be analyzed, and a ‘beyond the law’ interpretation of the relevance of corruption will be demonstrated and validated.

Chapter 5 will focus on determining what counts to explain legal corruption in this specific set of capital-oriented countries. Extrinsic determinants of legal corruption (such as public transparency, accountability, efficiency, efficacy, and macroeconomic robustness) will be described and considered as possible concurrent explanations for a perceived legality in corruption. As a way to create a singular answer for this *problématique*, a model – in which only relevant determinants previously tested were inserted – will be used to build a simple – albeit powerful – explanation for the perception of legal corruption.

Finally, chapter 6 will present the main findings and conclusions. More than assuming the necessity of exploring 'beyond the law' dimensions of the problem, this thesis concludes that creating conditions to reduce levels of perceived legality in corruption may become a crucial tool in the process of fighting against corruption. In essence, changing citizens' perceptions about corruption today will help us to mitigate the occurrence of real corrupt acts in the future. That is why corruption should not continue to be seen as a political necessity. Better citizens, better social decisions, better democracies, and consequently lower levels of corruption.

Chapter 2

Reviewing literature to understand legal corruption

Lambsdorff, Taube, and Schramm (2005, p. 1) once stated that “[w]e need more theoretical inspiration that is able to better direct our energies in the fight against corruption”. I would say that we need not only more inspiration to combat it, but also a better understanding of what corruption really means. We must go beyond orthodox precepts that lead corruption to a simplistic characterization in which illegalities (e.g. bribery, extortion, and embezzlement) act as perfect boundaries for the phenomenon. Corruption is more than what is sanctioned as illegal not only because societies experience difficulties in making norms ultimately represent what citizens really consider corrupt, but also because there is a widespread perception of degeneration in politics that makes people believe in corruption as necessary for the ordinary political operation.

A corrupt culture has been thus undermining politics. Corruption scandals have never been so contested in advanced democracies and emerging industrialized countries (see for e.g., Bågenholm, 2013; Chaia & Teixeira, 2001; Lopez & Suryomenggolo, 2014) and their effects have never been so adaptable and persistent (Herzfeld & Weiss, 2003; Jain, 2001; Mishra, 2006). In such situation, citizens perceive that corruption is no longer about individual wrongdoing, but processes and systems; it is no more about state resources, but the public interest in current public affairs; and it is no more about occasional incidence, but embedded practices. In sum, corruption has not been considered a relevant public problem because of its illegal conditions; it has been considered relevant because of its capacity to become resilient, licit, and inevitable for politics.

In fact, corruption has a lot to do with politics. As a trans-systemic phenomenon, “it inheres in all systems [...] [and] affects all classes of society; all state organizations [...]; and all times, ancient, medieval, and modern” (Alatas, 1990, p. 11). Consequently, it is impossible to assess legality in corruption without understanding what corruption is in a comprehensive

perspective, i.e., any ‘beyond the law’ conceptualization is highly influenced by historical precedents that conducted studies in the field to this new paradigm. In sum, a robust literature review is needed to clarify in which circumstances citizens consider corruption as a major public problem essentially because of its lawful political implications.

In this sense, this chapter will first overview the theoretical evolution of corruption (section 2.1). An historical literature review will serve to show that both classical and contemporary perspectives of the phenomenon largely contributed to understand why corruption is seen as a broader public issue in which legalities must be taken into account. Next, it will focus on building up a precise definition for legal corruption (section 2.2) that excludes illegalities and highlights what is lawful. Additionally, the three most usual ways to define corruption will be presented in order to elucidate that the commitment of a legal corrupt act is mainly associated with a major public interest degeneration, i.e., the collusion between market interests and democratic institutions is able to distort not only laws, but also natural conditions for politics to run properly. Finally, this chapter will present a comprehensive summary of the discussions held (section 2.3).

2.1. The theoretical evolution of corruption

Science is a combination of evolution, integrity and self-organization (Alieva & Zayats, 2015, p. 102). These three factors enable empirical research to solve problems and to raise new dilemmas in a continuous dialectical process⁶. The concept of corruption is also driven by this triad of elements. “This constant evolution is characteristic of corruption studies [and] [i]t would not be too surprising if, in the next 20 years, new forms of corruption will receive greater weight in the literature” (Farrales, 2005, p. 13). In this sense, legal corruption only appears as a contemporary conceptual quest because of a series of evolutionary factors that redirected the field of study to this new paradigm. Actually, revisiting the literature about corruption is necessary to better understand the fundamentals of a ‘beyond the law’ corruption.

There is no better way to comprehend evolution in theories about corruption than understanding the literal meaning of evolution in social sciences and its relationship with two other complementary concepts: integrity and self-organization. First, evolution in social sciences, and also in the field of corruption, represents an objective reality driven by ‘ideational’ and ‘material’ forces (Tang, 2010, pp. 33–35), i.e., notions of corruption should

⁶ For details about dialectics and its implications, see Marx (1892).

capture ideas (the ideational force) to put them in practice (the material force). This “organic synthesis” (Tang, 2010, p. 34) of forces is something desirable, but difficult to happen. In fact, legal corruption is a tentative way to reconcile ‘ideational’ and ‘material’ approaches by simply recognizing that a perceived deterioration of political conditions (the ideational force) leads to the commitment of lawful corrupt acts (the material force).

Second, integrity, here seen as a systemic condition in which all the parts support the overall function of the whole (B. Smith, 2007, p. 290), can be seen as another important element for paradigmatic evolution. Finding specific answers for corruption will also contribute to connect major social theories and “unite separate, ‘piecewise’ scientific knowledge” (Alieva & Zayats, 2015, p. 100) to create solutions for multidisciplinary problems. Comprehending that corruption is more than mere illegalities reinforces the idea of integrity in this field of study. Whereas people still believe in a material explanation for corruption (e.g. bribery, extortion, and embezzlement), they do know that corruption needs a broader answer that encompasses even ethical standards and democratic values. Corruption appears as a relevant public problem not only because of its association with what is illegal, but also because of its capacity to legally shape the political operation of advanced democracies or industrialized quasi-democracies.

Third, corruption studies seems to be self-organized, which means that they “appear to arise spontaneously from the local interactions of actors” (Holland, 1995, 1998; see Wagner & Leydesdorff, 2005, p. 1610). Many institutions and specialists have influenced the way science sees corruption, but there is not a single explanatory power that had fully systematized corruption. Because of this, “the emergence of order cannot be attributed to either top down or bottom up rules” (Cilliers, 1998; Kauffman, 1995). The concept of corruption is then shaped by a complex structure that encompasses the perceptions of institutions, specialists and citizens about the phenomenon in different periods and cultures. The evolution of the concept of corruption does not represent a rational and logical continuum and a step-by-step construction.

In sum, “historical influences are important to the extent that history shapes the cultural norms that dictate corrupt acts” (Goel & Nelson, 2010, p. 434). It is necessary to be familiar with the history of the great definitional debates (Farrales, 2005, p. 40) in order to understand that recent conceptualizations are influenced by a non-linear construction of an evolutionary conceptual process that encompasses both classical (subsection 2.1.1) and contemporary (subsection 2.1.2) perspectives of corruption. Historical precedents have shaped institutions

over the years (Goel & Nelson, 2010, p. 439) and, for this reason, it is relevant to perceive that corruption is an ‘historical construction still under construction’.

2.1.1. Classical perspectives of corruption

Corruption is not a new phenomenon (Klitgaard, 1988, p. 7), but (i) “was it a prominent subject in ancient philosophical discussions?” and (ii) “how can classical perspectives help us to understand new forms of corruption? Classical definitions can be found even in Platonic and Aristotelian discourses. For the Greek tradition, “corruption expresse[s] the degeneration of right regimes, those who rule for the ‘good of the whole,’ into perverted ones, those who rule for ‘the good of themselves’ (e.g., tyranny, oligarchy, demagogy)” (Mény & de Sousa, 2001, p. 2827). As a result, for them, “politics is not a polity where everyone pursues the public interest but one where the pursuit of private interests is not allowed to transgress certain minimal public-interest limits” (Mulgan, 2012, p. 27). Aristotle once summed up this idea in his *chef-d’œuvre Politics* saying that

“The true forms of government, therefore, are those in which the one, or the few, or the many, govern with a view to the common interest; but governments which rule with a view to the private interest, whether of the one or of the few, or of the many, are perversions” (Aristotle, 1999[335-323 BC], book III, part VII).

In this sense, acting corruptly becomes a regime perversion, i.e., if corruption happens, democracy fails. They cannot coexist because, for Greek philosophers, they are incompatible phenomena. Consequently, in accordance with Aristotle’s words, “ideal, non-corrupt states are governed by ideally virtuous rulers who are wholly focused on the common interest and would never consider pursuing their own interests at the expense of the good of the community” (Mulgan, 2012, p. 31). Thus, corruption only represented an institutional decay explained in terms of behaviors, practices, and laws that debased from the ‘common good,’ (Mény & de Sousa, 2001, p. 2827).

Indeed, *πλογα* (*ftbora*), the Greek word for corruption, still “retains more of its literal meaning and implies actual decay or disintegration” (Mulgan, 2012, p. 29). For the Greek tradition, “[t]o label any person or practice as ‘corrupt’ is to stigmatize them as beyond the moral pale” (Mulgan, 2012, p. 25). Of course, this “conception of corruption [...] grounded in existing law is open to charges of circularity [...] because it offers no independent standard of what should count as corrupt” (Mulgan, 2012, p. 33). Pure democracy – the point with absence of

corruption – becomes a hypothetical ideal to be achieved because “[everybody is] corrupt and, consequently, what is the point of condemning corruption?” (Mulgan, 2012, p. 31).

In fact, legal corruption appears as a possible answer for this question, because it observes that citizens may also consider corruption necessary for politics to run well in a democratic sense. In other words, corruption has not been condemned because of its capacity to degenerate right regimes into perverted ones, but because of its capacity to degenerate politics in order to make the validation of group-based interests resemble democratic. Public interests become secondary and limited by the necessity of safeguarding market interests first. In contrast to the precepts of classical tradition, citizens are encouraged to believe that it is inevitable for democracies – or at least for industrialized quasi-democracies – to run corruptly, and, for this reason, they tend to legitimize corruption. Some behaviors may be considered ethically corrupt, while relevant for the process of doing politics in a democratic manner. Citizens are unhappy with a pervasive corruption; however, they accept that it is necessary to act corruptly in order to reach democratic collective decisions.

Corruption continued to be theoretically studied, but empirically underdeveloped. Medieval approaches correlated it with catholic moral standards. In this period, “a life not led in accord with [Christian] principles was seen as being necessarily corrupt” (Barcham, 2012, p. 68). In the Renaissance, Machiavelli (1469-1527) emphasized that “to be a corrupt citizen was to place one’s own ambitions, or the ends of faction, above the common good, because to act in this way was invariably fatal to liberty and hence greatness” (see Barcham, 2012, p. 65; Machiavelli, 1989, 1, 2.2; Skinner, 1990, p. 138). Thus, a Machiavellian corruption “represented any form of deterioration in the quality of government” (Hill, 2012, p. 98). Else, Ferguson (1723-1816) “agreed that corruption could affect people, not only individually but also *en masse*, denoting pervasive attitudinal and behavioral trends in a given polity” (Hill, 2012; Shumer, 1979, p. 9). Montesquieu (1689-1755), Ferguson and even Rousseau (1712-1778) conceived corruption in moral terms, then it appeared to be only a problem of virtue (Hill, 2012, p. 98). Additionally, Smith (1723-1790) considered it as a deviation from a natural – liberal – state (Hill, 2012, p. 110) and soften its boundaries in order to produce a commercial justification of interests (Hill, 2012, p. 102).

Then now it is time to answer the two preliminary questions that were presented in the beginning of this subsection. First, it was possible to note that corruption was not a prominent discussion in classical times. It does not mean that it was not discussed, but it was not definitely the reason of the major historical debates. Classical definitions of corruption seemed to “sacrifice clarity to brevity” (Heidenheimer & Johnston, 2002, p. 3) and limit the

discussions to a superficial approximation of the phenomenon (Mény & de Sousa, 2001, p. 2827). They only evidenced that corruption has a strong relation with a moral decay that is socially condemned and undermines democratic values, but they almost neglected the fact that corruption has also a licit dimension in which politics is put into practice.

Second, classical approaches helped us to understand corruption as a multidisciplinary phenomenon (Di Pietra & Melis, 2015) that correlates with both democratic values and politics. Only by assuming the maintenance of this association, it will be possible to analyze new approaches that see corruption not only as something wrong or illicit, but also as something licit and socially accepted by citizens. Legality in corruption is mainly associated with a degeneration, as pointed by the classics, but with a degeneration of natural conditions of politics to run properly instead.

2.1.2. Contemporary empirical perspectives of corruption

As it was possible to see, corruption is not a new trend at all. For many centuries, corruption was regarded just as a mere control variable for other major concepts, e.g., democracy, public administration, ethics, or even politics. Mid-twentieth century surely represented a turning point for corruption comprehension (Farrales, 2005, p. 6) because it was considered for the very first time as a specific research field in which parameters and implications must be unveiled. The vagueness observed on corruption studies until the half of the last century was progressively replaced by the usage of robust scientific research methods. In fact, corruption changed its status and appeared no longer as a marginal phenomenon, but as a central concept to be precisely assessed, explained, and measured.

Four relevant historical periods will be defined here. They will serve as a way to understand recent theoretical dilemmas and to promote a solid comprehension about the phenomenon. Surely, corruption definitions from mid-twentieth century (subsection 2.1.2.1) still influence studies in the field. Conceptual developments during the 1970s and 1980s (subsection 2.1.2.2) also offered relevant contributions and potentiated the application of statistical tools to assess corruption. 1990s and 2000s (subsection 2.1.2.3) came to reveal an endemic perspective and to systematize corruption. Certainly, all these three remarkable periods did matter to justify the relevance of a renewed contemporary research in the field (subsection 2.1.2.4) that observes the resilience of corruption as public problem and tries to attach it in a lawful perspective.

2.1.2.1. *1950s and 1960s: a functional revisionist meaning for corruption*

Joseph Nye once stated that “[c]orruption, some say, is endemic in all governments, [but] it has received remarkably little attention from students of government” (Nye, 1967, p. 417). At that time, he was correct. In fact, he and other relevant scholars (see Bayley, 1966; Huntington, 1968; Leff, 1964) started to shed some light on this by simply noting that corruption interfered in the process of democratization and development (Farrales, 2005, p. 6), especially in less developed countries (Scott, 1972, p. 9).

This group of researchers, mostly recognized as functionalists, tried to contest the classical moralist approach in which “corruption conveys the idea of wrecking or destroying institutions” (Bowles, 2000, p. 462). As pointed by Mény and de Sousa (2001, p. 2828), for them, corruption was seen as ‘another form of political influence’ that could also be used to enhance economic development and political integration.

This ‘revisionism’ of corruption also represented a critic period for the consolidation of the field and marked the beginning of a systematic analysis of the phenomenon. Indeed, the revisionists avoided moralism by treating corruption not as pure moral decay with pervasive implications, but as a common event with negative and positive implications (see Bayley, 1966; Nye, 1967) Functionalist-revisionists presented a disquieting finding: corruption may also ‘grease the wheels’⁷ (Huntington, 1968; Leff, 1964; Leys, 1965) and produce favorable results. Historic moralism was then shaken by a robust evidence of benefits for practicing corrupt acts in specific circumstances.

Common sense illegal kinds of corruption – e.g., bribery, extortion, embezzlement – were said to represent a valid form of achieving development, but, “[t]oday, it would be difficult to advocate the benefits of conventional forms of corruption” [...] [because] the belief that [it] [...] promoted economic development, political participation, and administrative efficacy proved historically wrong” (Mény & de Sousa, 2001, p. 2828). Nevertheless, this approach helped scholars to perceive that corruption must not be seen as a marginal social behavior, because of its capacity to influence politics and to generate economic development in specific circumstances.

Seeing legality in corruption, as proposed in this thesis, is a way of recognizing, in accordance with the functionalists, that corruption is in fact a political influence. However, corruption

⁷ See also Dreher & Gassebner (2011) and Méon & Sekkat (2005) for more information about ‘greasing the wheels’ theories.

may degenerate institutions without being perceived as something illegal and make sovereign states work for specific groups in society, groups that represent massive commercial or industrial interests. Apart from a functional perspective, a lawful corruption must not be seen as a form of ‘greasing the wheels’ for any kind of social development. Citizens accept a licit corruption because they see it as needed to run politics, and not because they believe it will enhance economic development or social cohesion.

2.1.2.2. 1970s and 1980s: a market approach to challenge functionalism

After establishing the basis for corruptive studies, functionalism was gradually challenged by a more rational perspective. In the 1970s and 1980s, scholars started to reorient research to a more economical paradigm. In this sense, it is possible to mention the relevant contributions of Susan Rose-Ackerman (1975, 1978), Anne Krueger (1974), and Olivier Cadot (1987) to the evolutionary process. It is also important to say that much effort was done to conceptualize criminal behaviors in a rational manner. Becker’s works (Becker & Stigler, 1974; Becker, 1968, 1983), mainly during this period, were relevant to offer comprehension to the fact that illicit corrupt acts had also micro-level implications that did not legitimize development – as pointed by functionalists. In essence, corruption represented an individual choice and “depended on two major determinants: the existing structures of opportunity and the costs and incentives involved” (Mény & de Sousa, 2001, p. 2828).

This rational approach tended to underestimate personal standards by transforming individual choice in a mere cost-benefit calculation (Mény & de Sousa, 2001, p. 2828). Surely, any attempt to explain corruption in terms of exclusive rational choices would limit also its interpretation and exclude any influence of cultural, moral, behavioral, or political implications that matters to a lawful observation of the phenomenon.

Besides that, associating crime, punishment and bribery with corruption, 1970s and 1980s scholars offered an outstanding contribution to the process of conceptualization: it must be “studied in the context of the institutional structures in which [it] exist[s]” (Farrales, 2005, p. 7). Rational choices uniquely understood that it was only possible to fully recognize corruption by deepening knowledge about the ambience in which it happened. It was done a great job during this period, especially in the 1980s, to improve the discussion about the limits and formats of corruption. Handbooks and tentative articles (see for example Becquart-Leclercq, 1984; Heidenheimer, Johnston, & LeVine, 1989) appeared to sum up a vast bibliography in a more pragmatic way.

This *époque* served to define the main objectives of the research in corruption. The paradigms presented at that period were crucial to motivate the commitment of an ‘explosion’ of studies about corruption during the 1990s and early twenty-first century.

2.1.2.3. 1990s and early 21st century: corruption as a systemic public problem

Preliminary works in the field showed that corruption needed a more multidimensional analysis. Both functionalist and rational approaches seemed to limit corruption by avoiding its classical essence: corruption is not a choice between ‘less moralism for committing illicit acts to justify development’ and ‘an individual cost-benefit calculation’. Contrariwise, it is a combination of these two factors plus a wide range of behaviors in which both social moral condemnation and the decadence of natural conditions of politics play an important role (Mény & de Sousa, 2001, p. 2828; Philp, 1997, pp. 445–446). Moreover, defining corruption also represents an historical challenge because it is a result of “a confluence of several significant events and ongoing trends” (Farralles, 2005, p. 8).

During the 1990s – and also early twenty-first century – researchers were exposed to a panoply of concepts of corruption with economical, sociological, political, and/or ethical implications. However, “[w]hat changed in the early 1990s was the public’s readiness to tolerate political corruption” (Heywood, 1997, p. 419) because

“It no longer appeared to be an exception, but a norm: threatening democratic foundations, causing institutional crisis, destabilizing the global economy, helping ‘organized crime’ to breed from clandestinity to illicit government, fomenting public deception about political life, and undermining the idea of public good” (Mény & de Sousa, 2001, p. 2829).

Consequently, corruption started to be seen not only as a social phenomenon, but as an endemic and relevant public problem with systemic implications to the legitimacy of political systems (Della Porta & Mény, 1995).

By noting that, it became more interesting to develop solutions or even comparative analyses. Studies about corruption seemed to proliferate in a way never seen before. This period certainly provided some of the greatest contributions to the literature. The gradual interest in understanding corruption in a systemic way encouraged scholars to search and explain corruption in a multidisciplinary manner (see Andvig, 1991; Cartier-Bresson, 1992;

Heywood, 1997; Philp, 1997; Tanzi, 1998). Moreover, a continuous application of statistical methods potentiated the appearance of robust findings about the phenomenon (Hellman, Jones, Kaufmann, & Schankerman, 2000, p. see; Paldam, 2002; Treisman, 2000).

Universities, anti-corruption agencies, and supranational institutions started a progressive process of measuring corruption in a comparative perspective. Many organizations started to develop indexes in which corruptive actions played a significant role and datasets were created or improved. The Corruption Perceptions Index (CPI) of Transparency International (TI) was first launched in 1995 to “put the issue of corruption on the international policy agenda” (Transparency International, 2015a). It represented the first systematic attempt to measure corruption and tried to “capture the informed views of analysts, businesspeople and experts in countries around the world” (Transparency International, 2015a). The Global Corruption Barometer (GCB), also developed by TI, had its first appearance in 2003 and was created to present citizens’ perceptions about everyday corruption worldwide (Transparency International, 2015b). Many other projects appeared, but none of them with the significant social impact and specificities of TI’s initiatives. In this sense, the World Economic Forum (WEF) and the World Bank (WB) also contributed to the development of the field by considering corruption as a fundamental pillar of both competitiveness (see Lall, 2001) and governance (see Kaufmann, Kraay, & Mastruzzi, 2010), respectively.

A normative approach (see Della Porta & Vannucci, 2005; Jos, 1993) also gained relevance. By progressively sanctioning the commitment of illegalities, societies believed that corruption could be avoided and its incidence dramatically reduced. However, corruption proved to be more resilient and persistent than expected (Blackburn, Bose, & Emranul Haque, 2006; Damania, Fredriksson, & Mani, 2004; Mishra, 2006; Swaleheen, 2012). Constitutions, penal codes, laws, and decrees were not able to overwhelm all forms of corruption because they do not change automatically to become adapted for new forms of corruption and because norms can be also manipulated in order to make what is corrupt sounds licit and fundamental to the process of doing politics.

2.1.2.4. *Last decade: a ‘beyond the law’ persistent corruption*

The perception of corruption as a social ‘cancer’⁸ seemed to undermine and limit the concept to a simple inquisition against illegalities. As a result, citizens’ perceptions and also anti-

⁸ In 1996, the ninth President of the WB declared that “we need to deal with the cancer of corruption” (Wolfensohn, 2005).

corruption strategies appeared to be challenged by a dramatic reconfiguration of the idea of corruption. Illegal corruption was condemned and progressively inserted into a normative framework, whereas legal corruption – what goes beyond the law and condemnation – remained unregulated. “There are many factors that can account for [the] institutional failure” (de Sousa, 2010b) of combating corruption and certainly one of them begins to be more and more prominent: corruption is not only systemic and illicit, but resilient, adaptable, persistent and sometimes licitly supported by moral standards, elite dissimulation or even by citizens.

As a result, mainstream anticorruption reforms “based on a theoretical mischaracterization of the problem of systemic corruption” (Persson, Rothstein, & Teorell, 2013, p. 449) did not result. Any attempt to comprehend corruption as a principal-agent problem fails because it rather resembles a collective action problem (Persson et al., 2013, p. 449). It is necessary to recognize that “[corruption] appears to be a coordination problem, where the equilibrium that emerges depends on shared expectations about others’ behavior” (Persson et al., 2013, p. 463).

The more corruption was illegally condemned, the more citizens felt that corruption remained unexplained and uncontrolled. If illicit behaviors were punished, how could corruption remain a relevant public problem, especially in advanced democracies and emerging industrialized countries? The answer is that corruption is not what elites or institutions define as illegal and punishable, but what they sell to citizens as legal and acceptable – by controlling the norms - and also what citizens signalize as socially acceptable to elites and institutions. Corrupt acts may be supported by both elites (norms approved by institutions) and citizens (social tolerance of corruption or information asymmetry caused by the difficulty to punish licit corruption), i.e., citizens disapprove the commitment of illegal acts, while tacitly accept some corrupt behaviors (e.g., traffic of influence, manipulation of norms and institutional objectives, state capture, etc.) as necessary for politics to run well.

In fact, resilience in corruption seems to be much more related to what people democratically valid as corrupt and lawful than to what they consider illegal, and, for this reason, scholars have been gradually reorienting research in the field in order to understand why corruption still represents a public problem, even though institutions have never been so prepared to punish illegalities. During the last seventy years, corruption has been mainly characterized as something illegal. However, a group of researches tries now to observe in which circumstances corruption can be associated with lawful actions. Institutional distortion or even the manipulation of laws are used to justify an evidenced persistence of a systemic

corruption (Jain, 2001, p. 72). Relevant works produced to analyze corruption in the United States by Thompson (1995, 2013), and Lessig (2011, 2013a), in Italy by Della Porta and Vannucci (Della Porta & Vannucci, 2007, 2012; Della Porta, 2001), or even worldwide by Kaufmann and Vicente (2005, 2011), evidenced that the relations between public and private actors must be considered, that the institutions in which corruption appears are relevant, and that corruption is more than bribing, extorting or cheating.

Considering what this new group of theoreticians observed, this thesis want to show that corruption may represent a relevant collective action problem not only for extremely corrupt societies facing illegal corrupt impasses (see Persson et al., 2013, pp. 463–466), but also for advanced democracies and emerging industrialized economies that deal with the persistence of a systemic ‘beyond the law’ corruption. In sum, the resilience of a licit kind of corruption may produce more damage to societies than its illegal counterpart, because it has the power to pervert natural conditions of politics.

2.2. The hard task of defining legal corruption

However, what is this ‘legal corruption’? To answer this question, first, it will be necessary to observe the differences between what is assumed as corruptly illegal and what is perceived as corruptly legal (subsection 2.2.1). After that, mainstream definitions of corruption will be presented in order to elucidate that the commitment of a legal corrupt act is mainly associated with a major public interest deterioration (subsection 2.2.2). Following this, legal corruption will be precisely defined (subsection 2.2.3). Different dimensions of legal corruption will be explored to evidence how a persistent degeneration of natural conditions of politics can affect the way citizens perceive the relevance of corruption as a public problem in societies with high levels of commercial development or industrialization.

2.2.1. Much more than bribery, extortion, or embezzlement

It is impossible to understand corruption in a legal approach, without observing its illegal foundations. For this purpose, bribery, extortion, and embezzlement – the most usual illicit approximations for corruption – will be dissected in the next lines of this subsection. Daniel Lowenstein once stated that

“[T]he crime of bribery is the black core of a series of concentric circles representing the degrees of impropriety in official behavior. In this conception, a

series of gray circles surround the bribery core, growing progressively lighter as they become more distant from the center, until they blend into the surrounding white area that represents perfectly proper and innocent conduct” (Lowenstein, 1985, p. 786).

In this sense, bribery represents the quintessential darkest form of corruption (de Sousa, 2011, pp. 100–101; Heidenheimer & Johnston, 2002, pp. 139–140; Scally, 2009, p. 7) and any material definition of it will impact corruption itself. Indeed, by limiting the boundaries of what is illegal, this thesis establishes the preliminary basis to discuss about legal corruption definitions that present more than a simple bribe-pact approach and consider even ethical behaviors or political standards.

Actually, the concept of corruption has always been historically associated with bribery (Bayley, 1966, p. 720; see Tanzi, 1998, pp. 559–560). This fundamental assumption seems to restate the largely disseminated idea that corruptive acts and bribes act as similar phenomena. Just like corruption, bribery has been noticed since remote times (Noonan Jr., 1984). In ancient times, it worked just as an approximated synonym for reciprocity and its condemnation represented the irresponsibility of not fulfilling social covenants (Noonan Jr., 1984, pp. 1–30). In this context, paying a bribe could be an efficient way to achieve success in social exchanges.

British tradition saw it as a condemnable action with moral implications. The first English extortion statute asserted that "no Sheriff, or other officer of the King, shall take any reward to do his office, but shall be paid by the King"⁹, while the first English bribery statute stated that “judges may not take any robe, fee, pension, gift, nor reward of any but the King, except reward of meat and drink, which shall be no great value”¹⁰. These two excerpts reflected also an important detail with great impact in the discussions: bribery and extortion are not perfect synonyms.

The distinction between bribery and extortion is not straightforward (Lindgren, 1993, p. 1739; Rose-Ackerman, 2010, p. 222). Paraphrasing Ayres (1997, p. 1235), it is possible to say that when a pure bribe is being negotiated, the threatened expects, in the absence of agreement, to receive a fair trial; and when a pure extortion is being negotiated, the threatened expects, in the absence of agreement, to receive an unfair trial. Bribery is thus a more severe offshoot of extortion that indicates an illicit benefit given or received to influence official

⁹ Chapter XXVI, 3 Edw. 1 (Statute of Westminster I), 1275, fully available in Mortimer (1764, pp. 528–530).

¹⁰ Chapter III, 8 Ric. 2, 1384, fully available in Pickering (1762, pp. 272–275).

action (Lindgren, 1993, pp. 1696, 1739), whereas extortion¹¹ is more general and refers to “the seeking or receipt of a corrupt payment by a public official (or a pretended public official) because of his office or his ability to influence official action” (Lindgren, 1993, p. 1696).

Additionally, embezzlement, defined “as theft of assets by a person in a position of trust or responsibility over those assets” (Cai & Li, 2011, p. 1), is also a prominent illegal expression of corruption. It is unquestionable that this sort of behavior is grave and socially harmful. When discovered, embezzlement is rapidly condemned by citizens, except when associated with political populism and dissimulation (Acemoglu, Egorov, & Sonin, 2013; Gidron & Bonikowski, 2013). Only “a rhetoric that aggressively defends the interests of the common man against the privileged elite” (Acemoglu et al., 2013, p. 771) is able to legitimize such a disorder.

Contemporary researchers in the field agree that bribery, extortion and embezzlement are not corruption itself and represent only a specific dimension of it (Basu, 2011, p. 4; Bowles, 2000, p. 460; Torsello & Venard, 2016, p. 35). Special attention was given to the phenomenon of bribery. They try to separate it in two distinct major classes: (i) the collusive one and (ii) the ‘harassment bribery’ (see Basu, 2011, pp. 4–6; Dufwenberg & Spagnolo, 2011, pp. 2–4; Verma & Sengupta, 2015, p. 1). The first represents a condition “where an individual or group pays a bribe to illegally get access to a product or service” (Verma & Sengupta, 2015, p. 1) and the second describes a situation where persons have to pay a bribe to get what they are legally entitled to (Basu, 2011, p. 4). In effect, this last classification expands the traditional approach by arguing that in some conditions even the payment of a bribe may be considered licit and, for this reason, legal and supported by public opinion.

Finally, all these usual illegalities (bribery, extortion, and embezzlement) seem only to configure specific and severe kinds of corruption with direct implications in moral standards and citizens’ perceptions, but limited explanations for the relevance of corruption. In essence, corruption must be seen as a situation in which individuals or groups act in concert to further their own interests at the expense of a third party or unilaterally to further their own interests at the expense of others¹². Illegal forms of corruption resemble essentially the

¹¹ This definition refers to a specific kind of extortion, the ‘extortion under color of office’. For more information about a coercive extortion, see Lindgren (1993).

¹² These assertions were made by Bowles (2000, p. 460). For him, corruption works only as a situation in which individuals or groups act in concert to further their own interests at the expense of a third party. Illegalities, such as fraud, embezzlement, extortion, or bribery are not included in this conceptualization, what constitutes a limitation for the understanding of corruption.

second case and are thus grave corruption. In the first case, corruption becomes a lawful phenomenon in which elites are allowed to distort norms to promote commercial or industrial interests and citizens are authorized to act corruptly to be part of the political process.

Thus, the relevance of corruption appears to be produced by a resilient legal corruption, a corruption that undermines basic political conditions by making citizens believe corruption is necessary for democracies or quasi-democracies to function. After all, an inquisition against illegal forms of corruption has been put into practice by national public institutions, anti-corruption agencies, and international organizations; whereas legal forms of corruption remain poorly regulated. Of course, it is easier to sanction what is illegally done. A set of norms may simply fail in accessing legality, because a ‘beyond the law’ corruption rather resembles an ethical deterioration with harmful implications to the public interest as a whole. Laws are important to capture perceptions of corruption, but they are a derivation of a degeneration of politics.

2.2.2. What do mainstream definitions of corruption have to do with legality?

Corruption has been identified as a relevant public problem mainly because of its persistence as a systemic deterioration of the public interest as whole. Consequently, it is now necessary to understand how the various theoretical streams and their respective definitions of corruption correlate with a paradigmatic corrupt legality.

The starting point of this discussion is a ‘common sense definition’ presented, with minor differences, by a sort of international institutions. The WB defines corruption as “the abuse of public office for private gain” (World Bank, 1997, p. 8), and TI defines it as “the abuse of entrusted power for private gain” (Transparency International, 2016). In sum, all these definitions seem to present the corrupt phenomenon only as an illegal act. There is no room for legality in this sort of definitions. Actually, this usual connection between corruption and illicit actions still permeates an expressive part of the studies carried out in the field (see Frías-Aceituno, Rodríguez-Domínguez, & García-Sánchez, 2014; Gorodnichenko & Sabirianova Peter, 2007; Ramirez, 2014; Ryvkin & Serra, 2012; Van Rijckeghem & Weder, 2001; Yang, 2005). Although important, these studies add little to the discussion of a more nebulous corruption.

Mainstream usually approaches corruption and develops its concepts in three different ways: (i) in a public-office-centered (POC); (ii) in a public-interest-centered (PIC); and (iii) in a

market-centered (MC) perspective. All of them seem to work as a complex interactional set in which many scholars have been trying to create a well built or even a widely accepted definition. Because of its complexity, this thesis does not aim to produce a ‘universal remedy’ concept for corruption as a whole. Contrariwise, it only wants to observe corruption from another point of view, which associates legality mainly with a public interest *modus operandi*.

Although restrictive, the most stable and popular definition of corruption (Ko & Weng, 2011, p. 363; Mény & de Sousa, 2001, p. 2824) refers to a famous excerpt extracted from a Joseph Nye’s seminal paper, in which

“Corruption is behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery [...]; nepotism [...]; and misappropriation [...]. This definition does not include much behavior that might nonetheless be regarded as offensive to moral standards. It also excludes any consideration of whether the behavior is in the public interest [...]”¹³ (Nye, 1967, p. 419).

POC definitions basically follow such conceptualization and restrict corruption to what is broadly accepted as illegal and condemnable (Mény & de Sousa, 2001, p. 2824). As it was possible to observe, this usual approach aligns with a common sense perspective that presents corruption in illegal terms. Indeed, international institutions, national governments and, in some circumstances, even anti-corruption agencies have been influenced by a restrictive belief in the application of laws as sufficient to curb corruption. Being corrupt has become then a consequence of what is prescribed as illegal and not a consequence of what is amoral or relevant to the public interest as a whole. In turn, “[t]here always is some discrepancy between the situation as it is depicted in the ‘official law’ and in the psychosocial mentality of members of the society”, i.e., legislations are not said to be a perfect representation in time for corruption, because they change at a slower pace than corruption itself (Mény & de Sousa, 2001, p. 2824). Norms are necessary to sanction illegalities in corruption, but restrictive to the process of seeing corruption as a resilient problem in which legalities play an important role.

¹³ This definition encompasses and expands what Banfield previously described as corruption. See Banfield (1961, p. 315).

PIC, as another important stream, can be expressed in terms of what Friedrich once wrote: “[Corruption is] a disintegration of the belief system upon which a particular political system rests” (Friedrich, 2002, p. 17) and must “include all kinds of practices which are believed to be dysfunctional and hence morally corrupt” (Friedrich, 2002, p. 16). This group of researchers understands moral issues as a relevant way to define public interests and emphasizes that corruption is broader and more based on perceptions/expectations and conceptions of democratic regimes (see Heywood, 1997). Contrary to POC definitions, the ultimate goal of fostering the public interest turns into a necessary condition to identify corrupt actions. Legality, in fact, appears to be more related to what PIC followers prescribe as corruption. As pointed by Thompson, corruption may also be “provided in a continuing relationship or regular practice, especially when the recipient itself is an institution, habits and routines are established, expectations generated, and a culture of influence developed” (Thompson, 2013, p. 11). In other words, a legal approach to corruption potentially damages the system by simply hurting the core conditions in which the democratic process establishes its bases: politics. Norms are not sufficient to address legality in corruption, because a corrupt act distort not only laws, but also the political operation to put them into practice. Thus, citizens have been associating democratic values with the necessity to behave legally corrupt, in order to be simultaneously capable of interfering in politics and accepted as a part of the society. More important than punishing corruption, as proposed by POC theorists, is to assess perceptions, because corruption is not a simple normative condemnation, it is what is believed to degenerate the social interest in order to serve the private. In sum, a persistent legality in corruption rather resembles a public interest problem.

Meanwhile, the MC approach can be elucidated as a disputable way to comprehend corruption (Cartier-Bresson, 1995). In Rose-Ackerman’s words, market corruption can be summed up as “all payments (legal or illegal) to agents that are not passed on to superiors, but includes also a series of legal activities with similar public policy consequences, such as, campaign contributions and lobbying” (Rose-Ackerman, 1978). In fact, even with a vast literature that correlates economic tools and corruption (see also Andvig, 1991; Cadot, 1987; Leff, 1964; Lui, 1986; Palmer, 2008; Persson et al., 2013; Rose-Ackerman, 1975; Scott, 1972; Tilman, 1970; Van Klaveren, 1989), market definitions seem to represent only an application of public choice methods to analyze corruption (Philp, 1997, pp. 443–444), and for this reason, must be seen only as a powerful tool to recognize and assess both illegality and legality in corruption.

While POC approaches reinforce both simplicity and objectivity in corruption, they lack a broader interpretation in which licit behaviors may also be taken into account. MC definitions, as observed, resemble more a tool to evaluate corruption and can be used in any possible context - legal or illegal. PIC approaches attack both illegalities and legalities, because they tend to see corruption in a broader perspective. For this reason, a 'beyond the law' corruption is assumed to be associated with such stream. Bribery, extortion, embezzlement, and any other illegal form of corruption should continue to be tackled; however, a legal corruption can only be addressed in a PIC perspective. In short, legal corruption is about perceiving a (non-)regulation¹⁴ of what should count as corrupt, but necessary for politics.

2.2.3. Legal corruption: a political degeneration

As observed in the previous subsection, stable definitions of corruption linked to a POC approach usually limit the scope of corruption by presenting norms and illicitness as perfect boundaries (Ko & Weng, 2011, pp. 361–363). However, this usual approach

“Confront[s] a two-fold problem: (i) laws are not necessarily consistent in interpretation or application across different countries, i.e., what is illegal in one country may not be in another [...] [and] (ii) the recourse to legal norms [...] forgoes any possibility of capturing a more nebulous aspect of the phenomenon” (Heywood, 1997, pp. 422–423).

Even considering a PIC perspective, very few studies have focused on purely assessing a legal perspective of corruption (see Kaufmann & Vicente, 2005, 2011; Lessig, 2011, 2013a, 2013b; Newhouse, 2014; Thompson, 1995, 2013). Researchers have offered a marginal status to the investigation of a licit corruption (see Kaufmann & Vicente, 2011, p. 197) and little attention was given to the fact that social or even elite-based perceptions about what must be considered corrupt may distort and damage without being morally wrong or punishable by law (Philp, 1997, p. 441). By emphasizing illegal implications or considering licit corrupt actions only as a complementary source of comprehension, theoreticians neglected that corruption must be also interpreted exclusively in terms of what is recognized as tacitly licit. Consequently, understanding what drives a 'beyond the law' corruption involves the acceptance of a certain degeneration of the naturally sound condition of politics (Philp, 1997,

¹⁴ See Nelken & Levi (1996) for a detailed analysis of the connection between the causes and (non-)regulation of political corruption.

pp. 445–446), here seen as “the activity or process by which groups reach and enforce binding decisions” (Hague & Harrop, 2013, p. 2).

It is only possible to process legality in corruption by exposing perceptions of intangible elements in which both a corruptive behavior and a mischaracterization of democratic values may be associated with. In this sense, legal corruption represents a tridimensional phenomenon that encompasses a lawful combination of influence peddling, institutional corruption, and state capture. Each dimension defines a way to verify how politics influences social moral conduct and also how it diverts public objectives by not fulfilling satisfactory levels of political access, representation, and independence.

Legal corruption tries to see the harmful effects of corruption as a democratic fiduciary relation (Newhouse, 2014) between citizens and governors. Corruption is symbolically condemned, just like a pure illegal action, but ordinarily used in day-by-day interactions (Becquart-Leclercq, 1984, pp. 28–31; de Sousa, 2011, p. 98), i.e., it has been relativized for the sake of democratic consolidation (de Sousa, 2011, p. 58). People are unsatisfied with a corrupt democracy at the macro-level, but tolerate corruption at the individual level. Thus, this way of perceiving corruption in politics contradictorily represents both a legitimate recognition of citizens’ personal interests at a micro-scale and a rampant dissatisfaction with the operation of the democratic political process at a macro-scale.

An increasing political decadence seems to progressively undermine citizens’ satisfaction with democracy in recent times (Abdelzadeh, Özdemir, & Van Zalk, 2015; Christensen, 2015; Weßels, 2015). Indeed, the collusion between market interests and democratic institutions distorts not only laws, but also natural conditions for politics to run properly. High levels of commercial development or industrialization encourage corrupt behaviors and, for this purpose, they represent valid conditions for the dissemination of a tacit corruption.

Kaufmann & Vicente (2011) defines legal corruption as a broad instrument for corruption with no particular components. In this context, they only say that “when a legal framework accompanies corruption [...], we refer to the existence of legal corruption; when corruption arises without this legal framework, we refer to illegal corruption” (Kaufmann & Vicente, 2011, p. 199). This conceptualization ignores the fact that norms may be inefficient boundaries to establish the limits between legality and illegality. Therefore, this thesis refines the concept by offering another explanation for the frontiers of illicitness: social perceptions about the natural conditions of politics. In this sense, legal corruption represents a decadence of what politics is expected to be in a lawful context, i.e., it is a systemic and persistent

degeneration of the natural conditions of politics which undermines democratic values and ethical standards by distorting public perceptions about political access, representation, and independence in order to make citizens accept amoral behaviors as necessary for the operation of societies and to validate market-based interests¹⁵.

The focus is neither on the commitment of illicit actions nor on the execution of monetary transactions, but on the perceptions of what distorts politics to produce licit corruption instead. In other words, legal corruption does not want to evidence that corruption has an illicit social condemnation as mainstream studies do. Contrariwise, it wants to show exclusively that a ‘beyond the law’ corruption is basically a result of what is perceived as a degeneration of the political process and must be studied in order to assess corruptive implications in the organization and quality of advanced democracies and quasi-democracies.

Undoubtedly, corruption establishes a path-dependent relation not only with democratic values (Philp, 2001), but also with naturally sound conditions of politics (Philp, 1997), and, for this purpose, political access (input), representation (throughput), and independence (output) must be considered in order to fully understand legal corruption. Indeed, “corruption [seems to be] [...] challenging the very nature of politics and undermining the attempt to establish and exercise authority in the ordering of conflict and the allocation of resources” (Philp & Dávid-Barrett, 2015, p. 387). Behaving in such way affects the legitimacy of democratic institutions (Philp, 2001), because citizens start to accept certain corrupt behaviors – if authorized by norms – and, by doing so, they also accept that it is impossible to achieve collective decisions without creating particularistic advantages for certain social groups. In sum, any legal corruption dimension is able to limit the political operation in a specific way: influence peddling limits the democratic access; institutional corruption distorts representation; and state capture hurts public independence, a central element for democracies. Let us observe with particular attention these relations.

As a political input, access, or “the whole *raison d’être* of the political system [...] [,] express[es] [...] the will of the people by ensuring equal[ity] and participation” (Philp, 2001, p. 364) in politics. Complementarily, influence peddling refers to the spurious relation between public and private interests that undermines public officer’s power over a decision in favor of a

¹⁵ Thompson (2013) also discusses about a more nebulous and adaptable corruption that distorts democratic values and “undermines legitimate procedures of the institution[s]” (Thompson, 2013, p. 9). However, the definition of legal corruption presented in this thesis incorporates a dimension that transcends his institution-oriented perspective: it considers citizens’ perceptions about ‘beyond the law’ implications of corruption, what represents a way to prove that citizens are not ignoring the harmful effects of legality in corruption and a way to make the concept more general and not exclusively restricted to institutional distortions.

private future advantage (see Majumdar & Yoo, 2012; Slingerland, 2011). If political accessibility encompasses equality and participation, undue influence represents a risk and, for this purpose, must be assessed.

Influence peddling, and even its widespread pervasive dysfunctions – ‘revolving doors’¹⁶, or lobbying¹⁷ –, certainly undermines political access by diverting and favoring certain groups of interest. In this perspective, legal corruption must encompass a perceived deterioration of accessibility because it mitigates equality and participation in order to promote market interests in a lawful ambiance. Then, observing perceptions of limited political access becomes a valid way to characterize licit non-monetary interactions and also a form to reveal if citizens support or not a more nebulous corruption to run politics.

Modern states need to ensure that political access happens. And, for this reason, access needs to be converted into representation, “a principal-agent relationship, in which the principals [...] elect agents to stand for and act on their interests and opinions” (Urbinati & Warren, 2008, p. 389). Indeed, representation establishes “a space within which the sovereignty of the people is identified with state power” (Urbinati & Warren, 2008, p. 389) and becomes a necessary political throughput to disseminate democratic values or to protect citizens’ interests.

However, what happens if representation itself is distorted? Another prominent risk for being legally corrupt appears: institutional corruption. In this regard, representatives may not represent a broader social interest, but particularistic interests instead. “[I]f representatives are democratic, they are responsive to those they would represent, with respect to particular goods” (Urbinati & Warren, 2008, p. 396) and, for this reason, they may be interested in providing decisional access to specific social groups in order to guarantee also their legitimacy towards their constituency.

Representatives speak properly for their constituency, while they continue to be intermediaries between the citizens and the state. Societies eventually assume that “the best judgment of elites [can] replace the judgment of the people” (Urbinati & Warren, 2008, p. 400) and, by assuming it, they allow representation to produce political distortions. Thus, representatives become democratically allowed to promote the interests of specific groups in society.

¹⁶ For recent developments about ‘revolving doors’, see Brezis & Cariolle (2015) and Draca (2014).

¹⁷ For contemporary discussions about lobbying, political influence, and institutions, see Tresch & Fischer (2015) and Weiler & Brändli (2015). Especially, for a precise analysis between lobbying and corruption see also (Campos & Giovannoni (2007).

In this context, institutional corruption, a recent preoccupation for theorists¹⁸, represents a relevant tool to verify if institutions really deliver what they promise to citizens. It can be precisely defined as

“A systemic and strategic influence which is legal, *or even currently ethical*, that undermines the institution’s effectiveness by diverting it from its purpose or weakening its ability to achieve its purpose, including, to the extent relevant to its purpose, weakening either the public’s trust in that institution or the institution’s inherent trustworthiness” (Lessig, 2013a, p. 2).

Thus, it is impossible to produce an institutional diversion of purposes without recognizing representation as a striking source of degeneration of ethical standards in politics. Di Pietra & Melis (2015, p. 7) recently stated that “[o]rganizational practices do not develop in a vacuum [...] [and] [c]ontingencies and complementarities do not exist in isolation”. Representatives do fill this gap and become able to produce intentional distortions to validate exclusive preferences of whom elected them. Anyway, group-based or even market interests may overlap social interests.

A normative approach assumes “that, over time, corporations will assimilate ethical and legal standards into their operating practices in ways that reduce the occurrence of corruption” (Di Pietra & Melis, 2015, pp. 7–8), but legal corruption, as here proposed, works exactly in the opposite direction. It assumes that a distorted representation will progressively undermine institutional effectiveness and change the boundaries of what must be seen as illicit, i.e., corruptors are not progressively assimilating moral standards or avoiding the commitment of illegalities, they are solely adopting strategies to exert power over public organizations in order to divert institutional rules and purposes, and make their corruption sounds licit, accepted and politically necessary.

Undeniably, citizens want a non-corruptive political process, but “the higher the levels of perceived corruption in a society, the more citizens see it as justified” (Dong, Dulleck, & Torgler, 2012, p. 610). Legal corruption must not be seen as a condition for putting politics in practice because it just represents a constraint or at least a procedural misrepresentation of the process. Public institutions are not a bargain among groups of interest to gain power

¹⁸ See Lessig (2010, 2011, 2013a, 2013b, 2013c), Light (2013), Newhouse (2014), Philp & Dávid-Barrett (2015), Pierce (2013), Remolina (2014), Robertson (2013), Taylor (2014), and Thompson (1995, 2013) for more information about institutional corruption and its implications.

and specific representation, but a complex negotiation among them to consolidate a consistent social validation. Being legally corrupt put all this cause.

As an political output, independence, “an intermediary system between state and society” (Habermas, 2006, p. 412), becomes relevant. However, as a degeneration, pure public interest becomes secondary for states. It becomes more important for representatives to format democracy in order to serve commercial or industrial interests than serving citizens’ wills. Public entities thus become crucial for capitalists to secure their own best interests. Constitutions, codes, laws, institutional structures, statutes, and regulations are diverted to make general public interest conveniently reflects market-interests. People then believe that what is good for a few relevant private corporations is invariably good for society as whole. Institutions may appear to work properly, while they are, in fact, driven by entrepreneurial forces, i.e., states may be captured by private interests without developing any illegal compromise or counterpart.

Mainstream state capture refers to the efforts of firms to shape the formation of the basic rules of the game – laws, policies, and regulations – through illicit or non-transparent means (Fries, Lysenko, & Polanec, 2003; Hellman, Jones, & Kaufmann, 2003; Hellman & Kaufmann, 2001). Licit behaviors are usually neglected in traditional models of state capture because they tend to undermine its potential effectiveness (Bagashka, 2013; Fries et al., 2003; Tudoroiu, 2015). However, as evidenced, private influence on public affairs can also distort norms by simply using licit measures. In fact, state capture must not be understood only as an illegal phenomenon, but also as a kind of lawful capture instead.

State capture encompasses three main characteristics: (i) “firms (or other private agents) must be able to influence policy decisions by providing some private benefits to politicians; (ii) such influence must be concentrated in a relatively small number of firms” (Hellman & Schankerman, 2000, p. 553), and (iii) it must primarily benefit organized private elite interests (Bagashka, 2013, p. 167). Thus, a situation in which all these parameters are met becomes the most permissive expression of legal corruption and leads to a complete deconstruction of natural conditions of politics. In this situation, citizens begin to believe that societies are only a derivation of entrepreneurial wills and that it is plausible to be corrupt in order to defend particularistic interests, if authorized by law.

Summing up, legal corruption seems to deconstruct basic political conditions of access, representation, and independence. Figure 1 presents a schematic overview of how each

proposed dimension of this phenomenon – influence peddling, institutional corruption, and state capture – affects the process of running politics.

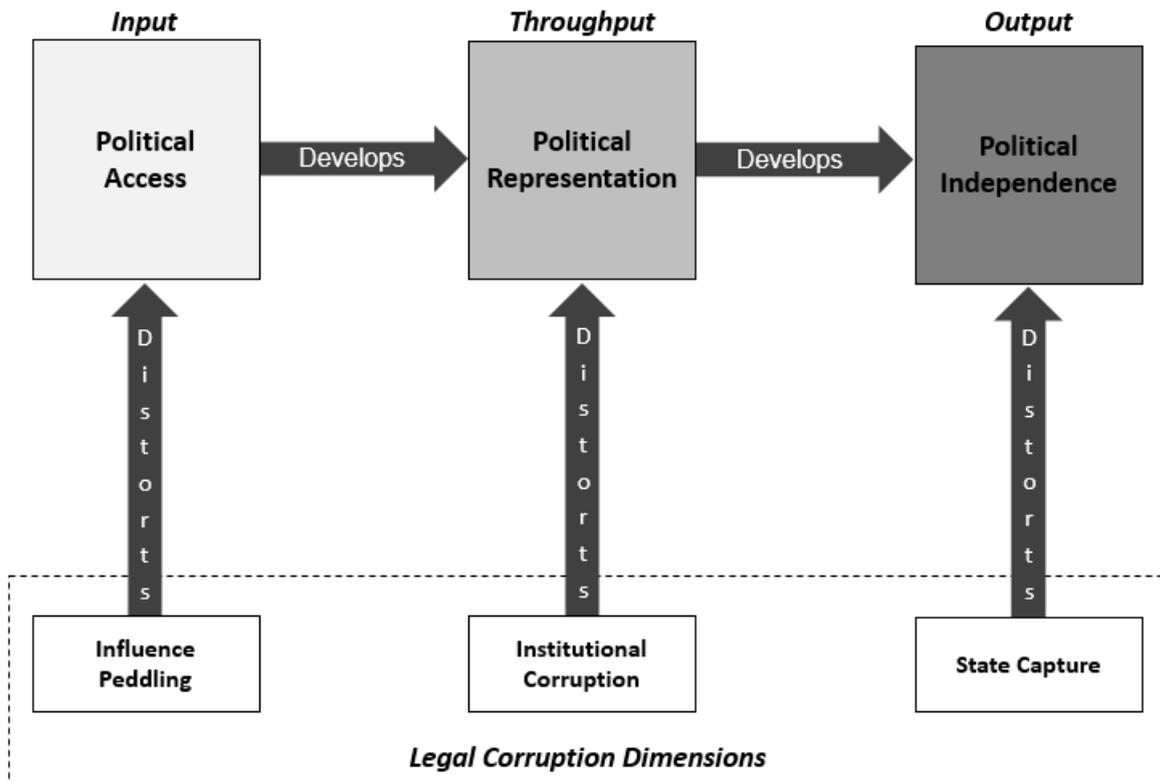


Figure 1: Legal Corruption as a degeneration of natural conditions of politics

Each legal corruption dimension is able to distort and influence a specific political condition and, by doing so, they become relevant to understand how citizens perceive a non-transactional licit corruption. Else, by observing the path-dependency of political conditions, it is possible to understand that legal corruption can damage the process at any moment. Influence peddling can affect access and degenerate input requirements and, by doing so, it can also damage the whole process. Institutional corruption can produce direct throughput damages and indirect output damages. And finally, state capture – the most pervasive form of legal corruption – can directly influence output requirements. An important observation must be done: a soft form of legal corruption – influence peddling – is able to create the dissemination of a fragmented corruption during the entire process, while a heavy form of legal corruption – state capture – causes direct damage to the results of the process by endorsing a grand corruption instead. In sum, each dimension has its own characteristics: influence peddling disseminates a diffuse petty corruption; institutional corruption is

moderately diffuse and associated with a systemic¹⁹ corruption; and state capture is concentrated, extremely pervasive and related to a metasytemic²⁰ corruption.

Distorting politics in order to produce immaterial gains is essential to evidence legal corruption in advanced democracies or even in emerging industrialized societies. Corruption remains a relevant public problem not because it determines a condemnable illicit behavior. It remains relevant because it produces a diffuse disillusion with the operation of political conditions and a sensation that democratic values must be revisited. Laws do not serve as a solution to characterize corruption anymore. Legal corruption reflects not what is said to be normatively wrong, but what is perceived by citizens as a sort of ‘beyond the norms’ degeneration of politics in a macro-scale. In sum, if licit behaviors are important to define corruption, then it is necessary to isolate legality in order to investigate its effects over the relevance of corruption *per se* and its broader influences over society.

2.3. Summing up the discussions

In this chapter, it was possible to observe how corruption became a relevant topic and how it was historically associated with illicitness. Both classical and twenty-first century mainstream conceptualizations mainly emphasized that corruption represents something deviant, but linked to any sort of illicitness.

However, licit behaviors may also trigger corruption. An illegal perspective has been driving field research since remote epochs. Little attention has been given to evaluate corruption as an exclusive combination of pure licit behaviors. This alternative approach has always assumed a marginal or even complementary status in the comprehension of the phenomenon. This thesis affirms that illegalities offered a relevant, but incomplete contribution. For this reason, they must be set aside in order to unveil how legalities affect citizens’ perceptions about corruption as a whole.

Citizens seem to validate an ordinary corruption, while they symbolically renounce it (Becquart-Leclercq, 1984, pp. 28–31; de Sousa, 2011, p. 98). But how is it possible? By assuming that a ‘beyond the law’ corruption, here presented as ‘legal corruption’, appears as

¹⁹ This term refers to a sophisticated political corruption which involves a series of mediators and peripheral actors (see de Sousa, 2011, pp. 41–42). This kind of corruption serves as a tool to develop strategies to divert organizational objectives and to produce specific group-based benefits. It is also relevant to mention that the term, as here used, considers only a licit perspective and, for this reason, does not encompass the complexity of its illegal implications as originally proposed by the author.

²⁰ It refers to a grand kind of corruption with highly sophisticated mechanisms, reduced number of specialized actors, and certain levels of permeability between markets and politics (de Sousa, 2011, pp. 42–43). Consequently, it represents a natural consequence of a state capture process.

a degeneration of basic political conditions of access, representation and independence. Such corruption represents only an outside interference that makes citizens accept corrupt practices as necessary for the operation of societies. Thus, exploring its dimensions – influence peddling, institutional corruption, and state capture – becomes relevant. Table 1 presents a schematic overview of main characteristics regarding legal corruption and its proposed dimensions.

Table 1: Characterizing legal corruption

Characteristics	Dimensions		
	Influence Peddling	Institutional Corruption	State Capture
Basic Definitions	The spurious relation between public and private interests that undermines public officer's power over a decision in favor of a private future advantage (a)	A systemic and strategic influence which is legal, or even currently ethical, that undermines the institution's effectiveness by diverting it from its purpose or weakening its ability to achieve its purpose, including, to the extent relevant to its purpose, weakening either the public's trust in that institution or the institution's inherent trustworthiness (b)	It refers to the efforts of firms to shape the formation of the basic rules of the game – laws, policies, and regulations – through non-transparent means (c)
Political effects	Limiting political access by producing fragmented and diffuse petty corruption	Limiting political representation by producing moderately diffuse and systemic corruption	Limiting political independence by producing grand and metasystemic corruption
Essential proprieties	Diffuse and fragmented	Moderately diffuse	Concentrated
Situations in which it takes place	<ul style="list-style-type: none"> ✓ Offering or promising a job for an entrepreneur that may legally coordinate tasks in order to favor certain commercial or industrial groups; ✓ Licitly speeding up specific processes in order to favor certain commercial or industrial groups. 	<ul style="list-style-type: none"> ✓ Distorting constitutions, codes, laws, regulations, statutes, and decrees to favor certain commercial or industrial groups; ✓ Distorting organizational objectives, in order to benefit specific groups in society. 	<ul style="list-style-type: none"> ✓ Making certain private industrial or commercial interests resemble politically democratic and necessary to promote the public interest as a whole.

Sources: (a) This definition is based on Majumdar & Yoo (2012) and Slingerland (2011); (b) this is a well-accepted definition proposed by Lessig (2013a, p. 2); (c) this is a modified legal adaptation of the definitions presented by Fries, Lysenko, & Polanec (2003); Hellman, Jones, & Kaufmann (2003) and Hellman & Kaufmann (2001).

Politics has been transfigured in order to make group-based or even market-based interests sound licit and essential. Apparently, no harm is observed, but citizens do know that something amoral is happening, something really nebulous. Indeed, advanced democracies and emerging industrialized countries make room for such degeneration because they certainly have what matters the most for corruptors: commercial or industrial opportunities. In conclusion, citizens perceive corruption as a relevant public problem not because it is illegal, but because they know that natural conditions of politics have been distorted and that these distortions, although socially accepted, may produce long-term damages.

Chapter 3

In search of a methodology

As once pointed by Lancaster & Montinola (1997, p. 203), “[t]ruly robust explanations of political corruption demand that research into the phenomenon progresses beyond purely abstract (theoretical) analyses [...] and embraces cross-national investigations that are [...] rich in empirical verification”. Traditionally, the relationship between corruption and democratic political conditions has been mainly explained in illegal terms (see Sung, 2004; Treisman, 2000). Corrupt behaviors have been reduced to what is against the laws, no matter if ethical or not. Mainstream methodology in the field reflects such limited approach: corruption has been widely operationalized as something strictly and simplistically illegal.

Undoubtedly, it is easier to establish objective parameters to limit the measurement of corruption to a mere evaluation of prosecutions, condemnations, or even perceptions about the commitment of illegal actions²¹. However, corrupt behaviors proved to be resilient essentially because of their capacity to resemble both socially and normatively accepted as necessary for the ordinary democratic political operation. Illegality is important to understand what should count as corrupt, but they do not seem to explain why citizens are so concerned with the persistence of corruption and its relevance for the functioning of public institutions.

²¹ Many scholars and public agencies have adopted a tentative illegal judicial approach to evaluate corruption: see for e.g., the methodology used by Alencar & Gico Jr. (2011) for the Brazilian case, the *Reports to Congress on the Activities and Operations of the Public Integrity Section* of the United States Department of Justice (The United States Department of Justice, 2012, 2013) or even the Portuguese project called *A Corrupção participada em Portugal 2004-2008: Resultados globais de uma pesquisa em curso* (de Sousa, 2010a). However, it has been mainly evidenced that judicial systems and their respective codes, laws, and norms are inefficient to tackle a more nebulous corruption based on socially accepted behaviors (Dincer & Johnston, 2015), i.e., “[o]ne could instead study rates of prosecution or conviction for misuse of office, but these are as likely to reflect the zeal, competence, and integrity of the police and judiciary, or the political priority placed on fighting corruption, as they are to capture the true scale of the phenomenon” (Treisman, 2007, p. 213). Additionally, others have focused on using perceptions of illegal actions to evaluate corruption (Gorodnichenko & Sabirianova Peter, 2007; Ryvkin & Serra, 2012). Nevertheless, such approach is also ineffective to capture a more nebulous corruption based on social acceptance.

A renewed methodological approach is here proposed to demonstrate why legality in corruption matters. Thus, legal corruption must be put in evidence in order to verify how corruption appears as a pervasive, adaptable, dangerous for politics, and widely accepted major problem, especially in the public sector. Such methodology does not aim to incorporate ‘beyond the law’ elements in a broader corruption measurement, as usually attempted. On the contrary, it isolates what is considered purely lawful, although corrupt, to deeply explore its specific effects on citizens’ perceptions of the relevance of corruption. Indeed, it is exactly “[t]his discrepancy between legal/formal and social/cultural standards defining corrupt behavior in a given society at a particular time [...] [that] makes the study of corruption so challenging” (see de Sousa & Moriconi, 2015, p. 159; de Sousa, 2002).

Objectively, this chapter will present a quantitative cross-national method based on perceptions to evidence (i) how a given level of legality in corruption influences the way in which advanced democracies and emerging industrialized countries characterize corruption as a relevant public problem to be dealt with and (ii) what determines the incidence of legal corruption. In order to do so, it will first focus on describing the universe of analysis and outlining the three main elements of the proposed methodology: the usage of (i) citizens’ perceptions, (ii) cross-country data, and a (iii) quantitative approach (section 3.1). After that, the objectives of this thesis will be made tangible, because hypotheses will be described and concepts will be both quantified and operationalized (section 3.2). Then, an econometric model to assess legality in corruption will be designed (section 3.3). And finally, a schematic overview will be presented to make the implementation of the proposed methodology much more accessible and clear throughout the next chapters (section 3.4).

3.1. A perception-based, cross-sectional, quantitative universe of analysis

Designing a methodology to assess legality in corruption is not an easy task. Many approaches have been used to systematize and evaluate a comprehensive occurrence of corruption in which illegalities play a relevant role. Both qualitative and quantitative approaches have been helping scholars to unveil many characteristics of corruption. However, attempts to analyze a ‘beyond the law’ corruption seem to be usually restricted to a more descriptive perspective (see for e.g., Lessig, 2013b; Light, 2013). Even when eminently comparative and quantitative, legal corruption methodologies generally focus on evaluating both entrepreneurial and

specialized perceptions of the phenomenon (Castro, 2008; Dincer & Johnston, 2015; Kaufmann & Vicente, 2005, 2011), giving less importance to citizens' opinions.

In fact, a model in which legalities assume a critical role confronts two specific problems: (i) the difficulty to understand what must be considered lawfully corrupt; and (ii) the difficulty to find measures for what is prescribed as corrupt, albeit legal. This thesis present the following answers to these two problems: any socially accepted degeneration of naturally sound conditions of politics will be considered legally corrupt; and citizens' perceptions appear to be the most feasible way²² to identify legality in corruption, respectively.

In this sense, a new path to evaluate the relevance of corruption, based essentially on 'beyond the law' aspects, needs to be methodologically described. This section will start this process by showing the fundamentals of the proposed method, i.e., by presenting the universe of analysis and its three essential elements: (i) citizens' perceptions (subsection 3.1.1), (ii) cross-country data (subsection 3.1.2.), and (iii) quantitative treatment of information (subsection 3.1.3). Only after understanding such triad, it will be possible to detail and derive hypotheses, operationalize variables, and systematize an econometric modelling. As once said by Treisman (2007, p. 213), "the challenge of the next wave of research [is] to refine and gather more experience-based measures of corruption and to examine the patterns they reveal". This subsection will then serve as a way to establish the methodological baseline to discuss about the relevance of corruption and its 'beyond the law' determinants. Citizens' perceptions, comparisons and statistical analyses will be the essential parameters to any further discussion held in the next chapters.

3.1.1. It is all about perceptions

Considering the information on public opinion provided by TI in its GCB²³ for the year 2013, a multidimensional model to explain legality in corruption was then built. Although limited, citizens' perceptions were used to approach both the relevance of corruption and its interrelated perspectives of legality and illegality. By following this path, a major limitation to be overcome become worth mentioning: it is said that perceptions do not reflect citizens' real experience of corruption (Abramo, 2008; Donchev & Ujhelyi, 2008; Olken, 2009; Rose

²² See subsection 3.1.1 for details.

²³ The *Global Corruption Barometer* is organized by *Transparency International* and has been surveying "the experiences of everyday people confronting corruption around the world" (Transparency International, 2015b) since 2003. For more information and access to GCB datasets, consult <http://www.transparency.org/research/gcb/overview>.

& Mishler, 2010). Albeit true, this assertion does not affect the proposed methodology, because this thesis aims to provide reasonable solutions for purely perception-based phenomena, i.e., it does not want to explain people's experience of corruption and how it can be significantly different from perceptions, but it only wants to understand what matters to make people believe that corruption is something relevant in advanced democracies and emerging industrialized countries. Legal corruption represents a perceptual concept *per se* and encompasses a triad of dimensions (influence peddling, institutional corruption, and state capture) which refers to behaviors, attitudes, and ethics – concepts that are also based on perceptions. Legality in corruption is a perception-based construct in essence and if citizens perceive corruption as a relevant public matter, it is necessary to understand what determines such impression, rather than discussing if it expresses or not real social levels of corruption.

Furthermore, general public opinion was used because both entrepreneurial and specialized (e.g., journalists, politicians, civil servants, employees of non-governmental organizations) perceptions confront a serious implication: they may represent institutional distortions and specific interests (see Razafindrakoto & Roubaud, 2010), what constitutes legal corruption itself. Thus, citizens' perceptions, which encompasses a more diversified and representative sample of analysis, appear to be the less harmful way to observe 'beyond the law'²⁴ attributes of corruption.

3.1.2. Making comparisons to unveil legality in corruption

Thirty-nine capital-oriented economies – 28 advanced democracies²⁵ and other 11 emerging industrialized countries²⁶ – that appeared in the 2013'GCB were used to explore legality in corruption. Considering this specific set of nations, such citizen-based barometer surveyed a universe of 40,605 people between September 2012 and March 2013 (Transparency

²⁴ Experimental approaches have been also used to unveil specific licit corrupt behaviors, such as the Brazilian *Jeitinho*, a partial possible expression of legality in corruption that refers to "individuals' strategy to solve problems using resources, sometimes illegal, in favor of their own benefit" (Rodrigues, Milfont, Ferreira, Porto, & Fischer, 2011). These experimental studies have not been used in a cross-national perspective, albeit they offer fruitful elements to do so, e.g., priming techniques (see Fajardo & Leão, 2014; Rodrigues et al., 2011).

²⁵ Twenty-six OECD members (Australia, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Italy, Japan, Luxembourg, New Zealand, Norway, Portugal, Republic of Korea, Slovakia, Slovenia, Spain, Switzerland, the United Kingdom, and the United States of America) and two potential OECD members (Latvia and Lithuania) were considered in this group of countries.

²⁶ Two OECD members (Mexico and Turkey), one potential OECD member (Colombia) and other eight emerging industrialized economies (Brazil, India, Indonesia, Malaysia, Philippines, Russian Federation, South Africa, and Thailand) were considered in this group of countries.

International, 2013b, pp. 27–30). Additionally, un-weighted average GCB results were then employed to build up a nationally representative²⁷ comparative evaluation.

Such a selective country grouping represented an attempt to congregate most-similar cases²⁸ and to make legal corruption even more clear and approachable. It would be difficult to observe ‘beyond the law’ aspects of corruption and to secure reliable measurements for the proposed research variables²⁹ based on citizens’ perceptions without evidencing minimum democratic-oriented political standards. It was necessary to guarantee that any sort of political degeneration had been mainly caused by the manipulation of norms to serve commercial or industrial interests in an apparently democratic ambiance.

Else, cluster analyses were conducted in order to identify patterns and tendencies among specific groups of countries. Such strategy represented the bridge between a necessary descriptive-qualitative evaluation of the relevance of corruption (and its lawfully corrupt implications) and a more robust quantitative-interpretative test of the ‘beyond the law’ characteristics of corruption in advanced democracies and emerging industrialized countries.

3.1.3. A quantitative quest for tendencies and patterns

A quantitative investigation with quantitative data was then held. This approach aims to produce results that help “enhancing the ability to investigate group differences without being unduly influenced by dramatic instances of a phenomenon” (Westerman, 2006, p. 267) and provide objective and global measurements of data used (Upjohn, Attwood, Lerotholi, Pfeiffer, & Verheyen, 2013, p. 319). As pointed by Lancaster & Montinola (1997, pp. 186–187),

“[...] [S]tudies of political corruption should ultimately incorporate the most central goal of all comparative analyses – the assessment of rival explanations. The advancement of logical explanations, grounded in systematic empirical testing of theoretically-derived hypotheses, facilitates healthy debate about the primacy of one explanation over another. Systematic explanation, in turn, should include at least three related tasks. These are the provision of causal explanations of

²⁷ Chilean and Mexican samples were only urban-based, instead of nationwide-based.

²⁸ In its purest form, the most-similar selection method refers to a situation in which all cases are similar in all respects except the variable(s) of interest (Gerring, 2008, p. 668).

²⁹ 2013 GCB data was employed to measure three critical variables in this study: (i) the relevance of corruption as a public problem; (ii) legal corruption; and (iii) illegal corruption. Subsection 3.2.1.3 of this chapter details their respective operationalization.

covariation among cases, the use of theoretically-derived models to help illuminate causal relations, and the utilization of models, frameworks and concepts that incorporate differences in context. Inclusion of these tasks would provide methodological rigor to studies of political corruption and maintain focus on the importance of explanation in studying such political phenomena” (Lancaster & Montinola, 1997, pp. 186–187).

In this sense, this thesis wants to find causal nexuses. More than valid correlations, it is then necessary to evidence systemic multivariate interactions in an ambiance where plausible rival explanations should be invalidated and the causes must precede the effects (see Cook & Campbell, 1976). Ackoff (1962, p. 178) once mentioned that symbolic representations could also be used to study certain phenomena. Legal corruption is a concept that meets such requirements, because its perception is said to happen before citizens perceive corruption itself as a widespread public problem and because it links the perception of the relevance of corruption with other preliminary perceptions about transparency, accountability, efficiency, and efficacy or with real macroeconomic elements.

Furthermore, a factorial analysis was used to create a composite measurement for legal corruption. Ordinary Least Squares (OLS) methods served to format linear regressions that explored significant relations between legality in corruption and the relevance of corruption, and between legal corruption and other socioeconomic perceptions or conditions. Else, hypotheses were considered valid only when p-values reached persistent high levels (at least 5%) of statistical significance throughout the proposed econometric models and when high levels of systemic explanatory power were evidenced (a restrictive condition that enhances the conclusions drawn). Finally, clusters were defined to analyze and interpret results among socially diversified sets of nations. Indeed, grouping nations is a powerful way to summarize intercultural similarities and differences (Gupta, Hanges, & Dorfman, 2002, p. 11).

3.2. Making the objectives become tangible

The descriptive literature review presented in chapter 2 emphasized that ‘beyond the law’ implications of corruption have been usually underestimated or at least scientifically marginalized. Methodological frameworks in the field hardly ever assessed licit aspects of corruption alone. This kind of ‘socially accepted’ corruption has been widely declared crucial and striking, albeit secondary for the establishment of objective corruption measurements. Illegalities have been used indiscriminately in surveys worldwide as a potential explanatory

dimension of corruption. However, is an illegal perception of corruption really fundamental to justify its systematic and persistent relevance?

This thesis believes that legal corruption offers a potential good explanation for this question. Political influence has been reconfiguring what should be treated as corruptive, whereas corruption has continued to be tackled as something that is against the social norms. However, citizens – especially in advanced democracies and emerging industrialized countries – indicate that corruption is in fact an important public issue not only because of its illegal aspects. Scholars agree that tackling a tacit corruption is fundamental to the process, but they almost reduce researches, surveys, and public pools to an inquisition against illegalities, such as extortion, embezzlement, and especially bribery.

This section aims to make legal corruption tangible. The challenge here was to develop a comprehensive methodological scenario in which corruption was assessed not by its illegal consequences, but by its socially accepted implications. An apparent citizen-sanctioned corruption has been eroding political conditions and it is thus necessary to perceive if it has been responsible for making societies observe corruption as a generalized public problem (step 1) and also what has been influencing such ‘beyond the law’ corruption (step 2).

In the first step, the relevance of corruption as a public problem was put in evidence (section 3.2.1). The main hypothesis of this thesis was tested and efforts were done to make it operational. Additionally, complementary hypotheses that contested possible rival explanations or minimized unwanted statistical disturbances were modeled. In the second step, legal corruption was dissected, explained in a political manner, and another set of hypotheses was tested in order to understand what have been determining a socially approved corrupt behavior (section 3.2.2).

3.2.1. Step 1: Does legality in corruption explain the relevance of corruption?

It is all about searching for *modus ponendo ponens*, i.e., it is all about finding causalities³⁰. Is legal corruption necessary to explain the perceived relevance of corruption in advanced democracies and emerging industrialized countries? Do illegalities matter to understand such relevance? Are both political stability and education crucial to determine certain levels of

³⁰ All the hypotheses here presented are restrictive, i.e., they are not only interested in confirming if variables correlate with one another, but in validating causal relations instead. Hypotheses were confirmed only in conditions where correlations happened, statistical significance appeared, and econometric explanatory power occurred.

relevance of corruption? Step 1 represents a way to unveil these relations. In this sense, hypotheses must be presented (subsection 3.2.1.1) and variables must be operationalized (subsection 3.2.1.2). Only by doing this, it will be possible to properly understand how ‘beyond the law’ factors influence people’s perceived deterioration of the political process and, consequently, their opinions about the importance of corruption.

3.2.1.1. Main hypothesis

The quintessential objective of this thesis is to observe if a ‘beyond the law’ dimension of the corrupt act is able to explain the reason why citizens consider corruption a relevant public problem. As a way to make such statement even more evident, the main research hypothesis is then presented.

Main Hypothesis (*Main-H1*):

The higher the perception of legal corruption in a country, the higher the relevance of corruption as a public problem in this country.

Undoubtedly, corruption is said to be a relevant issue. However, studies mainly focused on capturing and explaining corruption itself, i.e., research has been trying to assess and measure the phenomenon, but little effort was done to measure its relevance. This is exactly what is proposed here: a way to quantify how impacting corruption is for citizens, in order to verify what determines such perception.

Persson et al. (2013) investigated the patterns of a systemic corruption, albeit only in countries plagued by rampant corruption, and found its relation with a collective problem. This thesis wants to go further. It wants to observe how citizens’ perceptions affects the way in which capital-oriented societies evaluate their systemic corruption, i.e., it wants to show that the perception of the relevance of corruption as a problem rather resembles not only a collective action dilemma, but a ‘beyond the law’ persistent collective action dilemma. Diamond (2007, p. 119) once observed that “[reducing [endemic corruption] to less destructive levels – and keeping it there – requires revolutionary change in institutions”. However, an institution is “a norm that has been institutionalized” (Lane & Ersson, 2000) and legal corruption³¹ is in fact a norm with controversial institutions: albeit necessary,

³¹ Subsection 2.2.3 of chapter 2 described legal corruption and its dimensions in detail.

socially unwanted. It is then necessary to unveil how citizens correlate such dichotomy with the relevance of corruption to draw relevant conclusions about the recent resilience of corruption evidenced.

Indeed, legal corruption was used as a baseline to describe this relevance in both advanced democracies and emerging industrialized countries. In an unorthodox perspective, illegalities were put in a secondary plan and legalities were isolated to explore corrupt patterns.

Main-H1 certainly deserves a detailed exploration. Direct and simple causalities – as the proposed one – may be deconstructed if not properly controlled. For this purpose, three complementary hypotheses were built to expunge unwanted systematic effects that could distort or invalidate the proposed relation between legality and the relevance of corruption. Illegal corruption, political stability, and educational level served all to enhance the explanatory power of the results observed when testing *Main-H1*.

3.2.1.2. Rival and control hypotheses

First, a plausible rival alternative hypothesis was tested to observe if the relevance of corruption as a public problem was also influenced by a generalized perception of the commitment of illegalities. It would be impossible to verify if legal corruption is determinant to explain an evidenced social preoccupation with corruption, without observing its illegal³² counterpart potential associations with the public relevance of corruption.

Plausible Rival Alternative Hypothesis (*Rival-H1a*):

The higher the perception of illegal corruption in a country, the higher the relevance of corruption as a public problem in this country.

The other two complementary hypotheses were built to control expected effects of *Main-H1*. In this sense, both political stability (Control Hypothesis A: *PolStab-H1b*) and the educational level (Control Hypothesis B: *Educ-H1c*) were tested and utilized as valid tools to make the proposed association between legal corruption and the relevance of corruption even more clear and justifiable.

³² Revisit subsection 2.2.1 of chapter 2 for more information about illegalities in corruption.

Control Hypothesis A (PolStab-H1b):

The higher the political stability in a country, the lower the relevance of corruption as a public problem in this country.

Previous research found contradictory relations between political stability and corruption. Treisman (2000) found no statistical evidence to confirm that a higher level of instability promotes more corruption, while recent studies concluded exactly the opposite (Fjelde & Hegre, 2014; Nur-tegin & Czap, 2012; Schumacher, 2013). Albeit relevant, all these findings were strongly based on illegal characteristics of the corrupt act. This thesis aims to use political stability as a tool to unveil ‘beyond the law’ corrupt implications. In this sense, political stability became relevant to expunge unwanted noises produced by exogenous conditions that may affect capitalist-based electoral democracies, i.e., controlling the conditions of stability in a country made possible to better understand how legal corruption affects the way in which citizens perceive the relevance of corruption in their respective countries.

Control Hypothesis B (Educ-H1c):

The more years of schooling, the lower the relevance of corruption as a public problem in a country.

Education has been widely studied in a corrupt perspective, especially in the last decade (see Cheung & Chan, 2008; Dridi, 2014; Eicher, García-Peñalosa, & van Ypersele, 2009; Pitsoe, 2013). The main goal here is to find if high levels of literacy help to explain the relation between the relevance of corruption as a public problem and legal corruption, a yet unexplored subject. By the way, years of schooling were used as a measure for literacy. Again, a control variable intended to reduce disturbances in the model and clarify the relationship between legal corruption and the relevance of corruption.

3.2.1.3. Operationalizing ‘Step 1’ variables

After properly presenting the main hypotheses, this subsection provides relevant information about the operationalization process of the variables used in this first step. By simply describing the resources employed to format each variable, it first shows how the relevance of corruption was measured (the dependent variable). Next, it adequately describes the quantification of legal corruption (the main explanatory variable). Finally, it shows how both

political stability (control variable A) and educational levels (control variable B) were operationalized.

(a) Dependent variable: The relevance of corruption as a public problem

As a major concept, previously defined³³, the relevance of corruption as a public problem must be precisely operationalized. Following a perceptual approach, citizens' responses to the question 2 ("To what extent do you think that corruption is a problem in the public sector in this country?") of the 2013'GCB were used to quantify this dependent variable. The aggregate score, which ranged from 1 (the lowest parameter) to 5 (the highest parameter), was selected to represent this crucial variable.

(b) Main explanatory variable: legal corruption

2013'GCB answers were also used to establish a perceptual operationalization of legal corruption. Again, aggregate scores ranging from 1 (the lowest) to 5 (the highest) were selected to determine levels of perceived legality in corruption. Three specific questions of this survey were combined to build a composite index that represented each legal corruption dimension³⁴: questions 3, ("In your dealings with the public sector, how important are personal contacts to get things done?"), 4 ("To what extent is this country's government run by a few big entities acting in their own best interests?"), and 6 ("To what extent do you see the following categories in this country affected by corruption?: Political Parties, Parliament/Legislature, Judiciary, and Public officials/Civil servants") described influence peddling, institutional corruption, and state capture, respectively.

A principal component analysis was used to merge all legal corruption dimensions into one. The Kaiser-Meyer-Olkin (KMO) measure confirmed sample adequacy (KMO = 0.680) for the proposed one-scale reduction, Bartlett's test of sphericity was significant at a 1% level, and communalities were higher than 0.600. Kaiser eigenvalue criterion was obeyed and explained 75.99% of the variance. The Cronbach's alpha coefficients of all components were above 0.835, indicating the reliability of the methodology. In summary, influence peddling, institutional corruption, and state capture were mixed to define a composite multidimensional legal corruption index and to simplify and enhance the proposed evaluation of both the relevance of corruption and legal corruption.

³³ See subsection 1.2 of chapter 1.

³⁴ These dimensions were described in subsection 2.2.3 of chapter 2.

(c) Other independent variables: illegal corruption, political stability, and educational level

Additionally, illegal Corruption, political stability, and educational level were also properly operationalized. Illegal corruption certainly represents a multifaceted concept which encompasses a large set of improper actions (for e.g., bribery, extortion, embezzlement). 2013'GCB results were also used to build a measure for illegal corruption. In its question 12 ("Have you ever been asked to pay a bribe?"), such survey offered the possibility, albeit limited, to observe how citizens perceive a direct incidence of illegalities in their lives. Objectively, this strategy was adopted due the extreme scarcity of citizen-oriented cross-country perception data about corruption. Thus, perceptions of bribery were intentionally employed to characterize illegal corruption because of its cross-cultural acceptance as an unquestionable illicit representation of the corrupt act (Miller, 2006, p. 372; Noonan Jr., 1984, pp. 702–703; Scally, 2009, pp. 5–9). Original data was rescaled in order to enhance the explanatory power. Again scores ranged from 1 (the lowest perceived level of illegality in corruption) to 5 (the highest perceived level of illegality in corruption).

Political Stability, a critical control variable, became quantifiable by using the 'Political Stability and Absence of Violence/Terrorism' dimension of the Worldwide Governance Indicators (WGI)³⁵ for the year 2013. It served to capture perceptions of the likelihood of political instability and/or politically motivated violence (Kaufmann et al., 2010, p. 4) that may influence citizens' perceptions of the relevance of corruption and their impressions of the necessity to accept certain corrupt behaviors as necessary, albeit approved by law. It ranged from -2.5 (less stable observation) to +2.5 (more stable observation)³⁶.

Years of schooling served to operationalize the educational level among countries. Consolidated data provided by the United Nations Development Programme (UNDP) in its Human Development Report 2014 made this control variable tangible. The average number of years of education received by people (≥ 25 years old)³⁷ – calculated in 2012 for the entire set of countries here analyzed – was then adopted as an adequate measurement.

³⁵ WGI was developed by Kaufmann & Kraay and first launched in 1996. This project represents their efforts to build a composite index that provides observed levels of governance worldwide. "Political Stability and Absence of Violence/Terrorism" is one of its intrinsic dimensions and merges over 30 different datasets into one specific quantifiable value. Such project begun in 1996 and its products have been largely used by researchers in order to understand corruption and a panoply of other social phenomena. For more information, access www.govindicators.org.

³⁶ See Kaufmann et al. (2010) for more details about the WGI's methodology and analytical issues.

³⁷ Such data is available at <http://hdr.undp.org/en/content/mean-years-schooling-adults-years>.

3.2.2. Step 2: Legal corruption dissected

After establishing a set of hypotheses regarding the relevance of corruption, it is now time to determine what really affects legal corruption. Even in countries that sit at the apex of the anti-corruption indexes, ‘beyond the law’ elements of corruption still exert influence on citizens’ perceptions. For this purpose, three distinct categories of hypotheses³⁸ were created. Each category tried to unveil possible rival causes for legal corruption. The first one refers to determinants of transparency and accountability (subsection 3.2.2.1), the second one is about conditions of public efficiency and efficacy (subsection 3.2.2.2), and the third one refers to macroeconomic factors (subsection 3.2.2.3).

3.2.2.1. Hypotheses about transparency and accountability

This set of hypotheses tried to check if transparency and accountability really matter to the process of determining perceptions of legality in corruption. ‘Transparency of Government Policymaking’, ‘Strength of Auditing’, ‘Freedom of the Press’, and ‘Internet Usage’ were used to capture both indirect and direct³⁹ levels of public transparency. In this context, 4 hypotheses were formulated and can be described now.

T&A Hypothesis A (*Transp-H2a*):

The higher the level of transparency of government policymaking, the lower the perception of legal corruption in a country.

Finally, the hypothesis to be tested here is about the relation between transparency and legal corruption. Lindstedt & Naurin (2010, p. 301) found “that making political institutions more transparent is an effective method for combating corruption”, but it should be accompanied by “measures for strengthening citizens’ capacity to act upon the available information” (Lindstedt & Naurin, 2010, p. 301) if we want to catalyze corruption combat. In this context, a legal approach will verify if transparency works as a way to reduce social information

³⁸ ‘Step 2’ hypotheses followed the same rule: the acceptance was subject to the existence of causal relations among observed variables. Linear correlations were not considered sufficient to determine whether to accept or reject a hypothesis.

³⁹ Only ‘Internet Usage’ is able to promote direct transparency, because it is not an exogenous action. On the contrary, it represents citizens’ direct capacity of accessing public information available.

asymmetry or as way to produce diffused support to ratify the legal components of corruption.

T&A Hypothesis B (*Audit-H2b*):

The higher the strength of auditing, the lower the perception of legal corruption in a country.

Lindstedt & Naurin (2010) once emphasized that “transparency is not enough”. It is necessary to add some other pertinent elements to the discussions. Accountability is certainly one of these elements. Considering ‘beyond the law’ conditions, Kaufmann & Vicente (2011, p. 216) found that “higher accountability is the essential determinant of lower levels of legal corruption in more equal and richer societies”. Such statement needs to be better explored and detailed. An inverse relation between the strength of auditing (and reporting standards) and legal corruption is then expected to occur.

T&A Hypothesis C (*Press-H2c*):

The freer the press, the lower the perception of legal corruption in a country.

Brunetti & Weder (2003), Chowdhury (2004), Freille, Haque & Kneller (2007) suggested that the direction of causation runs from higher press freedom to lower corruption. Kalenborn & Lessmann (2013) showed that press freedom works as a control variable for the implications of corruption on democratic elections, while Cunha (2015) said that the media helped to develop a democratic image of ‘collapse’ in which corruption played an important role. By considering all this traditional linkage between freedom of the press and corruption, this thesis aims to observe if a free press enhances the perception of legal corruption in advanced democracies and emerging industrialized countries.

T&A Hypothesis D (*Internet-H2d*):

The greater the internet usage, the lower the perception of legal corruption in a country.

Vinod (1999, p. 592) once stated that “problems [regarding corruption] can be simultaneously attacked by using Internet-based innovative techniques”. This is exactly what this thesis aims to do with legal corruption. Making public processes transparent by using

Internet represents a possibility to evaluate if direct transparency really matters to the process of determining levels of perceived legality in corruption.

3.2.2.2. Hypotheses about efficiency and efficacy

Public efficiency and efficacy are interpenetrating events that deserves attention. ‘Regulatory Quality’, ‘Efficiency of the Legal Framework in Challenging Regulations’, ‘Wastefulness of Government Spending’, and ‘Burden of Government Regulation’ tested if the quality of the public institutions contributed to the explanation of legal corruption.

E&E Hypothesis A (*RegQuality-H2e*):

The better the regulatory quality, the lower the perception of legal corruption in a country.

As once observed by Lambsdorff (2006, p. 6), “bad regulation and corruption are quite often two sides of the same coin”. Scholars have already detected both the linkage and the causality between these variables: higher levels of regulatory quality determine lower levels of illegal corruption. However, it is necessary to test if legal corruption follows the same tendency.

E&E Hypothesis B (*LegFrame-H2f*):

The higher the efficiency of the legal framework in challenging regulations, the lower the perception of legal corruption in a country.

The efficiency of the legal framework in challenging regulations affects the proper functioning of the market and, consequently promotes lower of levels of illegal corruption. In sum, “the greater reliance on the market for economic decisions and the increased need to be competitive have created an environment in which the pursuit of efficiency has acquired greater importance and distortions attributed to corruption attract more attention” (Tanzi, 1998, p. 561). It is then crucial to perceive in which circumstances such efficiency negatively correlates with perceived levels of legality in corruption. By doing so, it will be possible to verify if the inefficiency of the legal framework is sufficient to explain a widespread and tolerant perception of the usage of ‘beyond the law’ corrupt strategies. Societies needs to be efficient, but it is vital to understand if such efficiency is in fact determining lower levels of legal corruption.

E&E Hypothesis C (*Waste-H2g*):

The higher the wastefulness of government spending, the higher the perception of legal corruption in a country.

Mainstream research sees corruption as an element of public investment distortion and usually sees it intrinsically connected with illicit acts (see de la Croix & Delavallade, 2009; Mauro, 1998; Rajkumar & Swaroop, 2008). Total public waste was used as a way to understand what determines levels of perceived legality in corruption. This kind of inefficiency may have been driving not only the commitment of illicit corrupt behaviors. It may be also causing an increasing perception of socially (and politically) accepted corrupt behaviors in capital-oriented democracies and quasi-democracies.

E&E Hypothesis D (*Burden-H2h*):

The higher the burden of government regulation, the higher the perception of legal corruption in a country.

Although several empirical studies found a positive correlation between regulatory intervention and corruption, literature has been diverging about the impact of state regulatory involvement on corruption (see Duvanova, 2014, p. 298) and some found evidence in an opposite direction (Berg, Jiang, & Lin, 2012). Moreover, no studies until now tried to associate this relevant variable with the licit aspects of a corrupt act. Leff (1964), Huntington (1968), and Méon & Weill (2010), also concludes that “inefficient and burdensome state regulations necessitate corruption as an informal mechanism for improving economic efficiency” (Duvanova, 2014, p. 298), what represents a disputable finding for the field of study and supports a tentative correlation between the burden of government regulation and legal corruption.

3.2.2.3. Hypotheses about macroeconomic conditions

‘Taxation’, ‘Government Debt’, ‘GDP per capita’, and ‘Unemployment’ were adopted to test the influence of macroeconomic factors on the perception of legal corruption. Economic effects have been used to determine legal corruption (Dincer & Johnston, 2015; Kaufmann & Vicente, 2011). This thesis wants to explore if citizens’ perceptions about the commitment of ‘beyond the law’ corrupt behaviors are also explained by this kind of implications.

Macroeconomic Hypothesis A (*Tax-H2i*):

The higher the taxation, the higher the perception of legal corruption in a country.

Timmons & Garfias (2015, p. 13) proved that in Brazilian municipalities “tax revenue rises with clean audit reports and falls as revealed corruption increases”. In this sense, this thesis wants to go a step further. It aims to observe if the perception of legality in corruption is also influenced by taxation.

Macroeconomic Hypothesis B (*Debt-H2j*):

The bigger the government debt, the higher the perception of legal corruption in a country.

Corruption has been also linked to public debt. Ivlevs & Hinks (2014) found that bribery is associated with crisis factors in thirty post-socialist economies of Central and Eastern Europe and Central Asia. González-Fernández & González-Velasco (2014) also found that corruption shows a direct and significant relationship with public debt in Spain. Additionally, Elgin & Uras (2013, p. 633) proved that financial stress is related with corruption. Besides that, none of these studies captured if sovereign debts are able to determine a ‘beyond the law’ dimension of the corrupt act.

Macroeconomic Hypothesis C (*GDP-H2k*):

The higher the GDP per capita, the lower the perception of legal corruption in a country.

It is not a new fact that corruption and economic factors are correlated (Cartier-Bresson, 1992; Dreher, Kotsogiannis, & McCorriston, 2007; Méndez & Sepúlveda, 2006; Mo, 2001; O’Hara, 2014; Saha & Gounder, 2013; Seldadyo & Haan, 2006). In fact, this thesis wants to verify if economic well-developed countries present a lower incidence of legal corruption.

Macroeconomic Hypothesis D (*Unemployment-H2l*):

The higher the unemployment, the higher the perception of legal corruption in a country.

Saha & Gounder (2013, p. 73) discovered that “higher [...] unemployment levels increase corruption”. However, it is again necessary to isolate ‘beyond the law’ corrupt behaviors in order to test if such statement remains valid.

3.2.2.4. Operationalizing ‘Step 2’ variables

‘Transparency of government policymaking’ considered the responses to the item 1.12 (Transparency of government policymaking) of the Global Competitiveness Report (GCR) 2013-2014 and its values ranged from 1 to 7 (more transparency). The ‘Strength of Auditing’ used the answers to the item 1.18 (Strength of auditing and reporting standards) of the 2013-2014’GCR. Again, values ranged from 1 to 7 (stronger auditing). ‘Freedom of the Press’ used data from the Freedom of the Press Index of Freedom House (FH) for the year 2013. Values ranged from 0 to 100 (less freedom). ‘Internet Usage’ was determined by the percentage of individuals using the Internet in 2012 (such information was provided by the International Telecommunication Union (ITU) and presented in the World Telecommunication/ICT Indicators for the year 2013.

‘Regulatory Quality’ was described by a dimension called “Regulatory Quality” in the WGI. Values ranged from -2.5 to 2.5 (better regulatory quality) and referred to the year 2012. ‘Efficiency of legal framework in challenging regulations’ considered responses to the item 1.11 (Efficiency of legal framework in challenging regulations) of the 2013-2014’GCR and values ranged from 1 to 7 (more efficiency). ‘Wastefulness of government spending’ used data from the item 1.08 (Wastefulness of government spending) of the 2013-2014’GCR and values ranged from 1 to 7 (less wastefulness). ‘Burden of government regulation’ considered the answers to the item 1.09 (Burden of government regulation) of the 2013-2014’GCR and values ranged from 1 to 7 (less burdensome) again.

‘Taxation’ was determined by the total tax rate, % profits for the year 2012 defined by the WEF in its 2013-2014’GCR and produced by the WB/International Finance Corporation, Doing Business (2013), Smarter Regulations for Small and Medium-Size Enterprises. ‘Government Debt’ considered the Gross General Government Debt as a percentage of GDP for the year 2012, published by the International Monetary Fund (IMF) in its World Economic Outlook Database (April 2013 edition). ‘GDP per capita’ used the Gross Domestic Product per capita in current US dollars for the year 2012, also published by the IMF in its World Economic Outlook Database (April 2013 edition). ‘Unemployment’ was measured as a percentage of total labor force for the year 2012, published by the WB.

Finally, 'Legal Corruption' was previously operationalized in subsection 3.2.1.3, item "b". Step 2 just used the same definition for this specific variable. The only difference is in the fact that it was used here as a dependent variable and not as an explanatory variable.

3.3. Designing an econometric model to assess legality in corruption

Box (1976, p. 792) once pointed that "[specialists] know that in nature there never was a normal distribution [...] [or] a straight line, yet with normal and linear assumptions, known to be false, [they] can often derive results which match [...] those found in the real world". Statistical resources are important to support and explain social phenomena, but they must not be seen as the explanation itself, i.e., "science is a means whereby learning is achieved, not by mere theoretical speculation [...], nor by the undirected accumulation of practical facts [...], but rather by a motived iteration between theory and practice" (Box, 1976, p. 791).

In fact, researchers have been using statistics to better comprehend corruption and its intrinsic characteristics (see for e.g., Kalenborn & Lessmann, 2013; Kaymak & Bektas, 2015; Sandholtz & Koetzle, 2000; Treisman, 2000; Van Rijckeghem & Weder, 2001). Legality in corruption has also been assessed in quantitative terms. Kaufman & Vicente (2005, 2011) and Dincer & Johnston (2015) previously used OLS methods to evaluate legal corruption. This thesis also followed this approach. Linear regressions were then employed to explain both the relevance of corruption (see chapter 4) and the determinants of legal corruption (see chapter 5).

A linear approach was chosen because of its great capacity to summarize findings in an objective manner. Kaufman & Vicente (2011, p. 211) observed that such strategy offers a more easily interpretable comprehension of the proposed conclusions. Even in an ambiance where typical regression assumptions may be difficult to achieve, it is still preferable to present a model in which parameters are tangible and interpretable. In other words, less is more and simple is better (Cohen, 1990, pp. 1304–1307). Complex models may produce more accurate results, albeit less useful.

It is important to mention that the proposed econometric modeling did not aim to be predictive, but only descriptive, what certainly relaxes normality preconditions of the OLS model (Kleinbaum, Kupper, Muller, & Nizam, 1998, p. 117).

Lumley, Diehr, Emerson, & Chen noticed (2002, p. 166) that sufficiently large samples are often under 100, so it is possible to say that all 40,605 2013'GCB interviews performed in the 39 nations evaluated in this study are certainly a representative sample of advanced

democracies and emerging industrialized countries. Such a condition reinforced the interest in conducting a more general econometric investigation based on linear regressions, due to its useful default tools for analyzing differences and trends in many types of data, not just those with normal distributions (Lumley et al., 2002, p. 166).

3.3.1. A model to explain the relevance of corruption

Cross-sectional OLS regressions were produced to verify what determines the relevance of corruption as a public issue. The first attempt was to present the most straightforward and accepted explanation for the problem: the more illegal corrupt behaviors citizens perceive, the more relevant corruption is (see equation 1). Next, legal corruption was evaluated as a main determinant of the phenomenon (see equation 2). After that, both illegal and legal perspectives of corruption were put together, in order to investigate in more detail the results and to comprehend how perceived ‘beyond the law’ corrupt actions affect citizens’ perceptions of the relevance of corruption itself (see equation 3). In addition, two control variables – political stability and years of schooling – were then used to boost the robustness of each proposed model.

$$(Relevance)_i = \alpha + \beta(Illegal)_i + \sum_{j=1}^k \gamma_j (Controls)_{j,i} + u_i \quad \text{(Equation 1)}$$

$$(Relevance)_i = \delta + \vartheta(Legal)_i + \sum_{j=1}^k \mu_j (Controls)_{j,i} + \epsilon_i \quad \text{(Equation 2)}$$

$$(Relevance)_i = \sigma + \omega(Illegal)_i + \varphi(Legal)_i + \sum_{j=1}^k \rho_j (Controls)_{j,i} + e_i \quad \text{(Equation 3)}$$

Hence, country *i*’s perception of the relevance of corruption $(Relevance)_i$ was always used as the response variable. Then, three generic functions were modeled to verify what really determines the relevance of corruption. In equation 1, illegal corruption $(Illegal)_i$ was selected to define a traditional and rival approach to explain the phenomenon. In equation 2, legal corruption $(Legal)_i$ was employed to derive relevant results. Equation 3 just combined both effects of $(Illegal)_i$ and $(Legal)_i$ to find even more robust evidences of the necessity to observe corruption in a ‘beyond the law’ perspective. Finally, ‘*k*’ exogenous

control variables (*Controls*)_{*j,i*} assessed political stability and/or years of schooling. ‘*u_i*’, ‘*ε_i*’, and ‘*e_i*’ were observed error terms. ‘*α*’, ‘*β*’, ‘*γ_j*’, ‘*δ*’, ‘*θ*’, ‘*μ_j*’, ‘*σ*’, ‘*ω*’, ‘*φ*’, and ‘*ρ_j*’ were estimated coefficients and Again, ‘*j*’ was just the lower bound of the proposed summations. Such generic equations turned into 15 distinct linear models, which served as the foundation of chapter 4.

Besides that, a two-step approach for transforming continuous variables to normal was adopted (see Templeton, 2011) to enhance the explanatory power of two abovementioned variables: (*Illegal*)_{*i*} and years of schooling. This strategy aimed to increase data reliability without biasing the real interpretation of the parameters. Indeed, a two-step transformation can improve validity of causal inferences (see Cook, Campbell, & Peracchio, 1990), especially in social research. As pointed by Templeton (2011, p. 53), “[a two-step] transformation [...] has the most implications for improving the statistical conclusion validity of causal inferences [...] [because the order of values do not change when the transformation is made [and] inferences using parameters (e.g., p-values) remain valid”.

In this sense, these variables were calculated considering first a “transform[ation] [of] the original variable toward statistical uniformity [...] by [using] the percentile (or fractional) rank [method]” (Templeton, 2011, p. 44) (see equation 4). Second, they were normalized by using an inverse normal distribution⁴⁰ (see equation 5).

$$(Percentile Rank) = 1 - [Rank(X_m) / n] \quad \text{(Equation 4)}$$

$$(TS) = \bar{Y} + \sqrt{2} S erf^{-1}[-1 + 2(Percentile Rank)] \quad \text{(Equation 5)}$$

In equation 4, *X_m*, refers to the value of each respective observation of the transformed variables, *Rank(X_m)* is the rank that *X_m* assumes in the entire distribution, ‘*m*’ describes each country analyzed, and ‘*n*’ refers to the sample size. In equation 5, (*TS*) represents the final two-step score used for subsequent analysis, \bar{Y} and ‘*S*’ symbolizes the mean and the standard deviation of (*TS*), respectively, *erf*⁻¹ is the inverse error function, and (*Percentile Rank*) is the result of equation 4.

⁴⁰ This procedure described in equations 4 and 5 was developed by Templeton (2011). Such strategy was recommended as a way to improve the normality of residuals in linear regression and to increase measures of sampling adequacy and communality in factor analysis (Templeton, 2011, p. 53). Consequently, “researchers should experience more significant findings, greater effect sizes, less threats to causal inferences, and more reliable results” (Templeton, 2011, p. 56).

3.3.2. Modelling legal corruption

Following this approach, legal corruption was also modelled in a linear perspective. OLS regressions were used to investigate what is relevant, and what is not, to explain citizens' perceptions of legality in corruption. Equation 6 presents the proposed list of determinants for legal corruption.

$$(Legal)_i = \tau + \sum_{j=1}^k O_j (T\&A)_{j,i} + \sum_{j=1}^k X_j (E\&E)_{j,i} + \sum_{j=1}^k Y_j (Macro)_{j,i} + z_i \quad \text{(Equation 6)}$$

Where $(Legal)_i$ represents country i 's perceptions of legal corruption (the dependent variable). The 'k' exogenous independent variables $(T\&A)_{j,i}$, $(E\&E)_{j,i}$, and $(Macro)_{j,i}$ refer to 'Transparency and Accountability', 'Efficiency and Efficacy', and 'Macroeconomic conditions', respectively. τ , O_j , X_j , and Y_j are the respective coefficients of the equation. Finally z_i is the observed error term. Again, 'j' is just the lower bound of the proposed summations.

Such generic equations turned into 48 distinct linear models, which tried to explain what really determines legal corruption. Chapter 5's findings and conclusions were based on all these models. A two-step approach – as described in the previous subsection – was also used to enhance the explanatory power of one T&A variable ('Internet Usage'), one E&E variable ('Freedom of the Press'), and three macroeconomic variables ('Unemployment', 'Government Debt', and 'GDP per capita').

3.4. A schematic methodological overview

In this final section, the proposed methodology is presented in a schematic manner. Table 2 provides basic information about the universe of analysis (such discussions refer to section 3.1). Table 3 summarizes the main steps of the research, presents all hypotheses and the criteria used to validate them (this table organizes what was previously discussed in section 3.2). Table 4 focuses on showing how to operationalize each proposed variable (it refers specifically to subsections 3.2.1.3 and 3.2.2.4). Finally, Table 5 describes all econometric linear models used (see section 3.3 for a detailed evaluation of variables, coefficients, and linear transformations) in order to facilitate subsequent analyses carried out over chapters 4 and 5.

Table 2: Basic information about the universe of analysis

Essential Conditions	Relevant information
Using perceptions	Information on public opinion provided by TI in its GCB for the year 2013 was used to create statistical models in which ‘beyond the law’ aspects of corruption were evaluated. Citizens’ perceptions were crucial to identify legal corrupt implications
Making comparisons	39 capital-oriented economies (28 advanced democracies and other 11 emerging industrialized countries) that appeared in the 2013’GCB were used to explore legality in corruption. Considering these countries, a universe of 40,605 people was surveyed by TI between September 2012 and March 2013 Countries analyzed: Australia, Belgium, Brazil, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, New Zealand, Norway, the Philippines, Portugal, Republic of Korea, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Switzerland, Thailand, Turkey, the United Kingdom, and the United States of America
Finding tendencies and patterns	OLS methods served to format linear regressions that explored significant relations between legality in corruption and the relevance of corruption, and between legal corruption and transparency, accountability, efficiency, efficacy, and macroeconomic conditions

Table 3: Main steps of the research and hypotheses

Hypotheses	Expected interactions
Step 1: Does legality in corruption explain the relevance of corruption?	
Dependent Variable: Relevance of Corruption	
<i>Main-H1</i> : The higher the occurrence of legal corruption in a country, the higher the relevance of corruption as a public problem in this country	<ul style="list-style-type: none"> ✓ Present robust positive correlation with the ‘Relevance of Corruption’ ✓ Show statistical significance in multivariate linear models used to determine the ‘Relevance of Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine the ‘Relevance of Corruption’
<i>Rival-H1a</i> : The higher the occurrence of illegal corruption in a country, the higher the relevance of corruption as a public problem in this country	<ul style="list-style-type: none"> ✓ Present robust positive correlation with the ‘Relevance of Corruption’ ✓ Show statistical significance in multivariate linear models used to determine the ‘Relevance of Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine the ‘Relevance of Corruption’
<i>PolStab-H1b</i> : The higher the political stability in a country, the lower the relevance of corruption as a public problem in this country	<ul style="list-style-type: none"> ✓ Present robust negative correlation with the ‘Relevance of Corruption’ ✓ Show statistical significance in multivariate linear models used to determine the ‘Relevance of Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine the ‘Relevance of Corruption’
<i>Educ-H1c</i> : The more years of schooling, the lower the relevance of corruption as a public problem in a country	<ul style="list-style-type: none"> ✓ Present robust negative correlation with the ‘Relevance of Corruption’ ✓ Show statistical significance in multivariate linear models used to determine the ‘Relevance of Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine the ‘Relevance of Corruption’

Table 3: Main steps of the research and hypotheses (Cont.)

Hypotheses	Expected interactions
Step 2: Legal corruption dissected	
Dependent variable: Legal Corruption	
Transparency and Accountability (T&A)	
<i>Transp-H2a</i> : The higher the level of transparency of government policymaking, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Audit-H2b</i> : The higher the strength of auditing, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Press-H2c</i> : The freer the press, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Internet-H2d</i> : The greater the internet usage, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
Efficiency and Efficacy (E&E)	
<i>RegQuality-H2e</i> : The better the regulatory quality, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>LegFrame-H2f</i> : The higher the efficiency of the legal framework in challenging regulations, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Waste-H2g</i> : The higher the wastefulness of government spending, the higher the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust positive correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Burden-H2h</i> : The higher the burden of government regulation, the higher the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust positive correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’

Table 3: Main steps of the research and hypotheses (cont.)

Hypotheses	Expected interactions
Step 2: Legal corruption dissected (cont.)	
Dependent variable: Legal Corruption	
Macroeconomic conditions	
<i>Tax-H2i</i> : The higher the taxation, the higher the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust positive correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Debt-H2j</i> : The bigger the government debt, the higher the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust positive correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>GDP-H2k</i> : The higher the GDP per capita, the lower the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust negative correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’
<i>Unemployment-H2l</i> : The higher the unemployment, the higher the perception of legal corruption in a country.	<ul style="list-style-type: none"> ✓ Present robust positive correlation with ‘Legal Corruption’ ✓ Show statistical significance in multivariate linear models used to determine ‘Legal Corruption’ ✓ Such independent variable should demonstrate capacity to enhance the explanatory power used to determine ‘Legal Corruption’

Table 4: Operationalizing variables

Variables	Operationalization
Relevance of corruption	Citizens’ responses to the question 2 (“To what extent do you think that corruption is a problem in the public sector in this country?”) of the 2013’GCB ^a . Values range from 1 to 5 (more relevance of corruption)
Legal corruption	A factorial combination of three questions of the 2013’GCB ^a : question 3, (“In your dealings with the public sector, how important are personal contacts to get things done?”), question 4 (“To what extent is this country’s government run by a few big entities acting in their own best interests?”), and question 6 (“To what extent do you see the following categories in this country affected by corruption?: Political Parties, Parliament/Legislature, Judiciary, and Public officials/Civil servants”).
Illegal Corruption	Citizens’ responses to the question 12 (“Have you ever been asked to pay a bribe?”) of the 2013’GCB ^a . Values range from 1 to 5 (more illegal corruption)
Political Stability	Results of the “Political Stability and Absence of Violence/Terrorism” dimension of the WGI for the year 2013 ^b . Values range from -2.5 to 2.5 (more political stability)
Education	The average number of years of education received by people (≥25 years old) calculated in 2012 by the UNDP and presented in its Human Development Report 2014 ^c

Table 4: Operationalizing variables (cont.)

Variables	Operationalization
Transparency of government policymaking	Item 1.12 (Transparency of government policymaking) of the 2013-2014 ^d GCR ^d . Values range from 1 to 7 (more transparency)
Strength of auditing	Item 1.18 (Strength of auditing and reporting standards) of the 2013-2014 ^d GCR ^d . Values range from 1 to 7 (stronger auditing)
Freedom of the Press	Freedom of the Press Index ^e of the FH for the year 2013. Values range from 0 to 100 (less freedom)
Internet Usage	Percentage of individuals using the Internet in 2012 developed by the ITU and presented in the World Telecommunication/ICT Indicators 2013 ^f (June 2013 edition)
Regulatory Quality	Regulatory Quality in 2012. Results produced by Daniel Kaufmann and Aart Kraay and financed by the WB. A part of the WGI ^b . Values range from -2.5 to 2.5 (better regulatory quality)
Efficiency of legal framework in challenging regulations	Item 1.11 (Efficiency of legal framework in challenging regulations) of the 2013-2014 ^d GCR ^d . Values range from 1 to 7 (more efficiency)
Wastefulness of government spending	Item 1.08 (Wastefulness of government spending) of the 2013-2014 ^d GCR ^d . Values range from 1 to 7 (less wastefulness)
Burden of government regulation	Item 1.09 (Burden of government regulation) of the 2013-2014 ^d GCR ^d . Values range from 1 to 7 (less burdensome)
Taxation	Total tax rate, % profits, in 2012, used by the WEF in its 2013-2014 ^d GCR and produced by the WB/International Finance Corporation, Doing Business, 2013 ^g : Smarter Regulations for Small and Medium-Size Enterprises
Government Debt	Gross general government debt as a percentage of GDP in 2012, published by the IMF in its World Economic Outlook Database ^h (April 2013 edition)
GDP per capita	Gross domestic product per capita for the 2012 in current US dollars, published by the IMF in its World Economic Outlook Database ^h (April 2013 edition)
Unemployment	Unemployment as % of total labor force in 2012, produced by the WB ⁱ

Sources: ^a Transparency International (2013b); ^b Kaufmann & Kraay (2015); ^c United Nations Development Programme (2014); ^d World Economic Forum (2013); ^e Freedom House (2013); ^f International Telecommunication Union (2013); ^g World Bank (2013a); ^h International Monetary Fund (2013); ⁱ World Bank (2013b).

Table 5: The proposed econometric models

	Reason to use the model	Models ^a
Linear Models (OLS) for Step 1	Testing the Rival Hypothesis: does illegal corruption explain the relevance of corruption?	$(Relevance)_i = \alpha + \beta(Illegal)_i + \sum_{j=1}^k \gamma_j (Controls)_{j,i} + u_i$
	Testing the Main Hypothesis: does legal corruption explain the relevance of corruption?	$(Relevance)_i = \delta + \vartheta(Legal)_i + \sum_{j=1}^k \mu_j (Controls)_{j,i} + \epsilon_i$
	Combining both illegal and legal approaches to find robust explanations for the relevance of corruption	$(Relevance)_i = \sigma + \omega(Illegal)_i + \varphi(Legal)_i + \sum_{j=1}^k \rho_j (Controls)_{j,i} + e_i$
Linear Model (OLS) for Step 2	Finding good determinants for legal corruption	$(Legal)_i = \tau + \sum_{j=1}^k O_j (T\&A)_{j,i} + \sum_{j=1}^k X_j (E\&E)_{j,i} + \sum_{j=1}^k Y_j (Macro)_{j,i} + z_i$

^a For Step 1: (Relevance) refers to the ‘Relevance of Corruption’; (Illegal) refers to ‘Illegal Corruption’; (Legal) refers to ‘Legal Corruption’; (Controls) refers to both ‘Political Stability’ and ‘Education’. For Step 2: (Legal) refers again to ‘Legal Corruption’; (T&A) refers to ‘Transparency and Accountability’ and considers ‘Transparency’, ‘Accountability’, ‘Freedom of the Press’, and ‘Internet Usage’ as plausible dimensions; (E&E) refers to ‘Efficiency and Efficacy’ and considers ‘Regulatory Quality’, ‘Efficiency’, ‘Wastefulness of government spending’, and ‘Burden of government regulation’ as plausible dimensions; (Macroeconomic) refers to ‘Macroeconomic Conditions’ and considers ‘Taxation’, ‘Government Debt’, ‘GDP per capita’, and ‘Unemployment’ as plausible dimensions. For detailed information about the proposed models (characteristics and operationalization), see section 3.3.

Chapter 4

A ‘beyond the law’ explanation for the relevance of corruption

Generic statements usually refer to corruption as “one of the most detrimental factors to economies and social development” (Tan, Liu, Huang, Zhao, & Zheng, 2016, p. 90) or as “an issue [that] has been gaining increasing importance in today’s world” (Aguilera & Vadera, 2008, p. 431). Albeit undeniably true, these assertions lack precision. Immediately, some questions emerge when accepting an endemic, persistent, and necessary corrupt behavior: what does make corruption so relevant? Is its importance explained by which kind of influences? This chapter wants to offer such precision by arguing that what goes ‘beyond the law’ should count as necessary to understand the reason why citizens perceive corruption as a major public problem.

Of course, there is a long way to go before evaluating how legality in fact affects corruption. First, the relevance of corruption as a public problem must be identified, explored, and discussed (section 4.1). Next, a non-orthodox interpretation of corruption must be also observed (section 4.2), i.e., legal corruption should be evidenced and clarified. In fact, results show that some corrupt behaviors (the ones approved by law and supported by citizens) determine a widespread perception of corruption as a major public problem. Such distortion makes politics resembles an obligatory corrupt process in which societies naturally accept corruption, albeit symbolically condemned, as part of the sociopolitical functioning. Then, a set of 15 complementary statistical models (section 4.3) will be finally tested and discussed in order to prove that ‘beyond the law’ aspects of corruption really matter to explain the relevance of corruption. Additionally, a concise summary of the findings will be also displayed.

4.1. Is corruption in fact a relevant public problem?

Researches have been emphasizing that the real incidence of corruption bothers societies (see Tanzi, 1998, pp. 559–564). However, what really matters to citizens, especially in advanced democracies and/or emerging industrialized countries, is how it is perceived as a problem and not how real it might be. Certain levels of corruption may be acceptable in some countries, while in others no. Scholars agree that high levels of systemic occurrence of illegalities lead to an equivalent high level of perceived corruption in countries plagued with widespread corruption (see for e.g., Persson et al., 2013), but little is known when advanced democracies or at least highly industrialized societies are taken exclusively into consideration.

For this reason, it is necessary to observe how citizens in this specific set of nations understand the incidence of corrupt acts. Corruption has been historically associated with the commitment of illegal behaviors, but this well-established assumption might be explaining just a criminal perspective of the phenomenon. Corruption is in fact more than what resembles illicit. Surveys and barometers have always tried to link the commitment of illicitness with the occurrence of corruption. It was a good strategy, but corruption still matters and causes disturbance even in places broadly recognized by low levels of evidenced illegality. From Russia to Canada or from Mexico to Estonia, people do consider corruption something relevant and a major public problem. Thus, if it is a problem, it deserves attention.

Figure 2 presents how citizens perceive the relevance of corruption as a public problem in their respective countries. It is possible to observe that values are impressively high. Almost all countries scored above 3.00 – a mid-term result in a Likert scale with 5 items. These results are impressive, because even considering a tendency towards agreement (see for e.g., Weijters, Cabooter, & Schillewaert, 2010, p. 237), i.e., a tendency towards centrality (see also Garland, 1991; Hartley, 2014) – neutral results near the center of the scale –, scores significantly diverge from neutrality. Only two countries scored extremely near 3.00 (considering 0.10 range): Norway and Finland. In the other 37 cases, results tended to assume extreme values (35 countries scored above 3.10 and other 2 below 2.90).

Another important evidence is that 23 observations presented extremely high scores (above 4.00), what constitutes a valid argument to affirm that citizens do consider corruption extremely relevant in advanced democracies and emerging industrialized countries. 13 observations ranged from 3.00 to 4.00 and only 3 below 3.00.

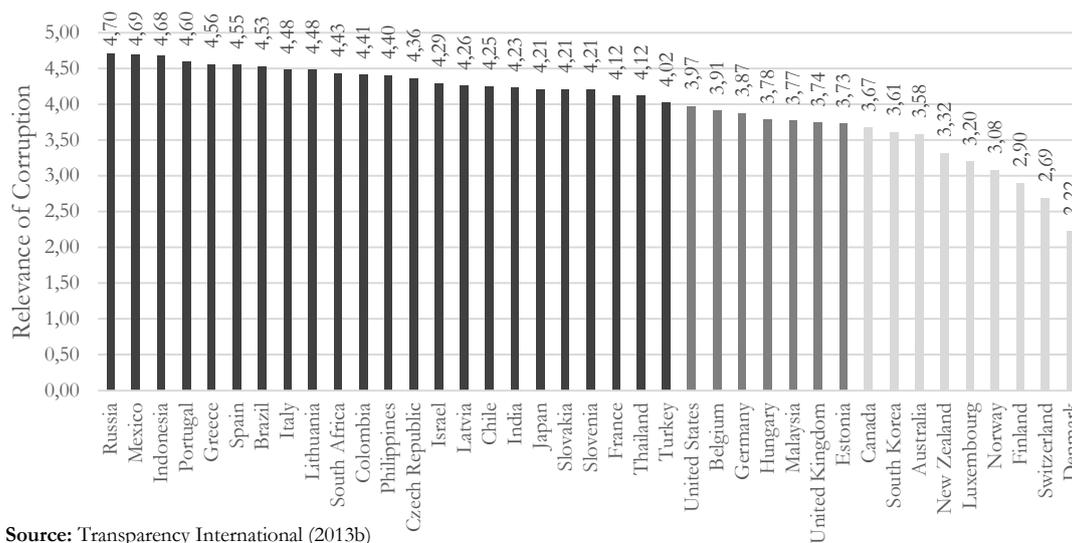


Figure 2: Levels of perceived relevance of corruption in advanced democracies and emerging industrialized countries

In this context, some descriptive statistics become revealing (see Table 6). The mean value of the observations is high (a 3.995 score) and far from a neutral Likert mid-point of 3.00. The observed median (a 4.210 result), another central tendency measurement, confirms a process towards significant relevance of corruption. Else, a standard deviation of 0.584, what determines a coefficient of variation of 14.6%, represents a robust evidence of low dispersion, i.e., results are quite similar and based on a widely social acceptance of corruption as an endemic problem.

Table 6: Descriptive statistics for the relevance of corruption

Measures	Results
Mean	3.995
Standard Deviation	0.584
Median	4.210
Coefficient of Variation	0.146
Minimum	2.220
Maximum	4.700
N	39

It is not surprising that corruption appeared as a widespread phenomenon. What is surprising is the fact that even localities with historical low levels of corruption still think it is relevant. Only Switzerland (with a 2.69 score) and Denmark (with a 2.22 score) in fact disregarded corruption as a perceived major public problem. New Zealand (with a 3.32 score), Australia (with a 3.58 score), Canada (with a 3.67 score), and especially Chile (with a 4.25 score) and Japan (with a 4.21 score), proved that citizens' perceptions of the relevance of corruption

differ dramatically from what specialists define as a latent public sector corruption. In 2013'CPI – a good example of a specialist-based survey –, these countries scored remarkably high⁴¹ and were perceived as very 'clean' societies. However, their citizens still evidenced moderate (for e.g., New Zealand, Australia, and Canada) or even high levels of perceived corruption (for e.g., Chile and Japan) when assessing 2013'GCB results. Citizens' perceptions of corruption are said to be tiny especially in Nordic countries, but corruption is still potentially devastating nevertheless. In sum, real corruptions cause direct social losses, whereas perceived corruptions make citizens discontent with the political democratic process.

This thesis is about to explain what really disappoints people in this respect, but it is first necessary to identify how divergent, albeit mainly problematic, corruption might be in three complementary clusters: countries with extremely high levels of perceived corruption (subsection 4.1.1), countries that deal with moderate levels of perceived corruption (subsection 4.1.2), and countries where societies have understood that corruption is not necessary for politics to run properly (subsection 4.1.3). Of course, this proposed classification is not inviolable and excluding. Certain countries may present commutative characteristics, i.e., conditions that goes beyond a specific cluster, what makes such process a complex task. The idea is to create just a simple clarification of patterns of perceived relevance of corruption among advanced democracies and newly industrialized nations. It is not intended to stablish perfect groups of analysis, but a contextual organization in which some countries' experiences may help us to identify how a 'beyond the law' incidence of corruption affects public opinion in general. Only after comprehending these specificities, it will be possible to evaluate what kind of corruption is indeed making citizens believe that corruption itself remains relevant.

4.1.1. Corruption, a very serious perceived public problem

Corruption has been directly related to undemocratic regimes (see for e.g., Chang & Golden, 2010). 2013'GCB results evidence that it is not an exclusive problem of autocracies and dictatorships. Scientific research recently revealed that even unstable democracies present lower levels of perceived corruption than stable despotic regimes (see Nur-tegin & Czap, 2012). However, such study does not affirm that democracies are immune to corrupt

⁴¹ 2013'CPI final scores and relative positions for Denmark (91, 1st), New Zealand (91, 1st), Switzerland (85, 7th), Australia (81, 9th), Canada (81, 9th), Japan (74, 18th), and Chile (71, 22nd). Values ranged from 0 (highly corrupt) to 100 (very clean). For more information, see Transparency International (2013a).

governments or that democracies produce absolute low levels of perceived corruption. Indeed, democracy does not imply absence of corruption. Contrariwise, as proposed by Kaufmann & Vicente (2011, pp. 196, 215), it just produces a different corrupt output: legal corruption.

Peoples' opinions have been impacted by an evidenced perception of democratic failure or at least a political detachment from democratic values in order to distort norms and produce benefits to specific social groups in an apparently licit ambiance. In general terms, advanced democracies or even industrial 'pseudodemocracies'⁴² are not only dealing with corruption, but with its perception.

Figure 2 also presents an interesting fact: citizens in some geographic regions are more likely to perceive corruption as a relevant problem. Considering the 39 countries that took part into this research, it was possible to group 23 of them in a single cluster of analysis. These countries displayed something in common, they all scored above 4.00, which means that people observe a latent corruption throughout governments in these societies. This proposed cluster can be divided in 4 other secondary groups⁴³: (i) a post-socialist, (ii) a Latin-American, (iii) a Mediterranean, and (iv) a indo-pacific group.

Russia, Lithuania, Latvia, the Czech Republic, Slovakia, and Slovenia presented extremely high levels of perceived corruption (always above 4.21). Although post-Communist societies appear to display multiple forms of corruption (Karklins 2002), "corruption is widespread throughout the former Communist states" (Obydenkova & Libman, 2014, p. 304). In this group of countries, corruption is believed to be an unescapable consequence of the historical socialism previously implemented. Citizens use a 'the system made me do it' excuse to blame an historical and exogenous condition for the necessity of practicing corruption (see Karklins, 2005). "The currency of the corrupt act, be it a bribe, profiteering, nepotism, or something else, is less important than how it distorts the workings of the political system"

⁴² 'Pseudodemocracies' or electoral authoritarian regimes are "the grey zone between autocracy and democracy [and] consist of democratic institutions but violate democratic standards in the practice of power, thus preserving authoritarian rule behind a democratic facade" (Zavadskaya & Welzel, 2015, p. 1107). See also Diamond (2002) for more information about hybrid regimes. Other relevant aspect is that not all of the studied countries were considered purely democratic when the GCB survey happened (from mid-2012 to mid-2013), but they experienced at least electoral authoritarianism during this period. This thesis is not oriented to evaluate if democracies deal better with corruption than 'pseudodemocracies'. Beyond that, it wants to evidence that the existence of high levels of industrial or commercial interests (which implies high levels of monetary-capitalist interests in both advanced democracies or hybrid regimes) is undermining the political operation and making citizens believe in corruption as necessary. This necessary corruption, i.e., a corruption in which norms are distorted and ethical standards are relaxed, is here explored.

⁴³ South Africa presented high levels of perceived corruption. Albeit not directly inserted in any proposed subgroup, such country has aspects in common with the other nations of this cluster: a colonial past, with historical and recent implications, and high levels of industrial/commercial interests.

(Karklins, 2002, p. 23), i.e., people do not consider corruption relevant in these localities because they know it still occurs, but because they perceive that they are systematically exposed to situations in which unilateral decisions (monopolistic decisions) oblige them to act in a corrupt manner to have their citizenship properly recognized as part of the system. As previously observed for Lithuania by Dobryninas,

“According to popular opinion, the lack of responsibility, transparency and accountability in [...] public sector could be explained by the fact that corrupt practice is deeply ingrained in the so-called Soviet-type mentality that could not be automatically replaced during the last [...] years of political independence. Old Soviet values, beliefs and habits still have an impact on the current social and economic situation [...]” (Dobryninas, 2005, p. 77).

Mexico, Brazil, Colombia, and Chile represent the Latin American tradition towards social importance of corruption. Scoring systematically above 4.25, these countries still deal with complex processes of democratization with high levels of latent influences of previous authoritarian regimes (see Gephart, 2016 for the Chilean case), judicial inefficiency (see Alencar & Gico Jr., 2011 for the Brazilian case) or violence (see Langbein & Sanabria, 2013; and Poveda, 2013 for the Colombian case ; see Sabet, 2013 for the Mexican case). It is possible to classify their ‘high perceived’ corruption as a radicalism against *injusticias*. The seek for stability and social justice reinforces citizens’ dissatisfactions and makes clear all spurious relations between politics, entrepreneurs, and society. Citizens see corruption in these countries, but they certainly feel that this is an indissoluble part of politics. They call for justice, but , as Brazilians say, ‘*Eu sou contra a corrupção, mas preciso dar o meu jeitinho*’, which implies that citizens are against corruption, although they recognize they need to use it in ordinary interactions to be socially valued (see for e.g., Fernandes da Silva, 1999, p. 27).

An Indo-pacific evidenced corruption must be also described here. Different from the previous groups, common reasons to recognize citizens’ dissatisfaction caused by corruption among these countries are less evident. However, they all together still characterize a region in which corruption is evoked as *problématique* (they all scored above 4.12). Thais’ opinions reflect a pessimism that mainly associate the revival of “notions of moral ethics, nationalism, and royalism” (Sinpeng, 2014, p. 535) to a crusade against corruption. In India, “[p]eople often blame [...] corruption on the system of business licensing that prevailed from the 1950s through the 1980s” (Riley & Roy, 2016, p. 73), albeit recognize that moral or civic decay played an important role when observing corruption (Riley & Roy, 2016, p. 93). Indonesia

and the Philippines follow this moralistic pathway, though the Philippine case links social contestation also with a strong deception with entrenched oligarchies that rule the country and their implicit political violence (Johnston, 2008, pp. 214–215; Moran, 1999, p. 576). In Indonesia, “[...] the country’s loss through corruption has exceeded tolerance limits which can be seen from moral, ethics, morality and law perspectives” (Lukito, 2015, p. 476) and has been related to a “dysfunctional party and campaign financing system” (Mietzner, 2015, p. 587). In Japan, “influence markets connect private interests to decision makers within a strong, well-institutionalized state” (Johnston, 2008, p. 211)”. In sum, “Japan is, in many important senses, a network society and the power of personal networks added to the traditional role of ‘go-betweens’ facilitates corruption” (Reed, 2008, p. 398) and its broadly institutionalized perception.

Portugal, Greece, Spain, Italy, France, Israel, and Turkey form a heterogeneous cultural group, albeit corruptly homogeneous (they all scored above 4.02). Corruption is a delicate issue for Mediterranean societies. Portuguese citizens assume a critical attitude towards public corruption. They see the administration as dishonest, ineffective and abusive, what gives them an excuse to engage in informal corrupt processes (de Sousa, 2008, p. 21). Dissatisfaction with democratic functioning represents thus a way to accept high levels of governmental inefficiency. Greece follows the same tendency. Danopoulos (2014, p. 128) argues that “the problem of corruption in the country is primarily cultural and social rather than economic [, because] [p]eople become corrupted when conditions are amenable to such practices”. In a Spanish perspective, corruption is said to be intrinsically correlated with the deterioration of public governance (de Lancer Julnes & Villoria, 2014, p. 39). In Italy, the former Prime Minister Massimo D'Alema (*La Repubblica*, 27 February 1998) once observed that “the judicial investigations in Milan (referring to the *Mani Pulite*) only unraveled what everybody already knew, including the journalists and the judges”. Again, he confirmed what has been argued: Italians also believe that there is a necessary corruption to make politics runs properly. Della Porta & Vannucci argue that

“[i]n the absence of effective political solutions, and when the voice of anti-corruption is weakening or finding fewer listeners, corruption remains an advantageous pursuit for many and therefore likely to become more widespread” (Della Porta & Vannucci, 2007, pp. 834–835).

In accordance with a *perspective française*, citizens condemn corruption, but forgive a ‘petty favouritism’ (Lascoumes & Tomescu-Hatto, 2008, p. 24). They tolerate high levels of political

misconducts, because they believe that politics follows a particular moral code in which the means justify the goals (Lascoumes & Tomescu-Hatto, 2008, p. 37). In Israel, research on corruption found that country’s status as a civil society has declined in recent years, what reaffirmed Israelis’ increasing preoccupation not only with corruption, but also with crime and terror (Zelekha & Bar-Efrat, 2011). In Turkey, Adaman (2011, p. 318) sees that “corruption [...] [is] deeper than a mere ‘technical problem’, which can successfully be addressed by increasing public auditing and by designing incentive-compatible mechanisms”. In this context, perceiving corruption helps people to distrust public institutions and democratic instruments.

Apart from this classification, it is worth mentioning that South Africa also appeared as a country with high levels of perceived corruption (a 4.43 score) In fact, all BRICS⁴⁴ were part of this corruption-evidenced cluster. South Africans’ opinions are not that different from what has been discussed here and their declared preoccupation with corruption resembles a Latin American justification focused on injustices. Indeed, South African research discuss a lot about such injustice and its connections with both the segregating apartheid regime (see Van Vuuren, 2006) and the resilience of corruption in a post-apartheid era (see Habtemichael & Cloete, 2010).

Although citizens disagree with respect to what determines a persistent perception of a widespread corruption in advanced democracies and emerging industrialized countries, they agree in one thing: “corruption is a symptom that something has gone wrong with the management of the state” (Rose-Ackerman, 1999, p. 9). Such deterioration, apparently associated with illicit behaviors, must be reevaluated in ‘beyond the law’ terms. Table 7 presents the main characteristics to determine high levels of citizens’ perceptions about the relevance of corruption in this specific set of nations.

Table 7: Reasons for the relevance of corruption in societies where corruption is perceived as endemic and resilient

Subgroups	Main characteristics to determine a perceived relevance of corruption
Post-socialist countries	Persistence of a Soviet-type mentality
Latin-American countries ^a	Lack of justice related to previous authoritarian regimes, judicial inefficiency, or violence
Mediterranean countries	Dissatisfaction with the democratic functioning as a whole or with evidenced crime and terror
Indo-pacific countries	Absence of morality in politics and/or in oligarchic power

^a Albeit with particularities, the South African perspective resembles an injustice-based case of analysis.

⁴⁴ China did not appear in 2013’GCB global results.

4.1.2. A pathway to transition

The United States, Belgium, Germany, Hungary, Malaysia, the United Kingdom, and Estonia form a cluster in which corruption is moderately perceived as a relevant problem. They all presented scores that ranged from 3.73 to 3.97. These results ratify that corruption is still significant for them. In countries with high levels of perceived corruption, citizens apparently know that corruption is an essential problem to be dealt with, albeit they do not know what should count as corrupt. Contrariwise, in this intermediate cluster, citizens are apparently able to identify major patterns of a practiced corrupt behavior, albeit they do not seem to know how damaging it could be for the political process. They do sanction the commitment of illegal corrupt acts, but they overlook what constitutes a licit and institutionalized corruption. Citizens' interests have been then promoted and used as a way to justify particularistic interests. The so-called 'national interests' do not purely reflect citizens' desires. They will only reflect citizens' desires if in accordance with major commercial or industrial interests.

In the United States, “[m]uch corruption [...] flies beneath the radar” (Johnston, 2012, p. 329). Both commercial and industrial interests interpenetrate American politics and define what constitutes an ‘Influence Market’ style of corruption, i.e., “routine political processes such as advocacy and persuasion that get pushed beyond certain boundaries of fairness” (Johnston, 2012, pp. 334–335). In fact, judicial institutions seem to work properly to combat corrupt illegalities (and citizens recognize it), while the government deals with a licit non-transactional interference of the market in the political affairs; what is potentially dangerous for the system.

When assessing corruption and anti-bribery strategies in the United Kingdom and Germany, Lord (2013, pp. 128–129) argues that “[t]he approach shifts focus away from a preoccupation with offenders towards a focus on the ‘markets’ within which they operate and within which criminal activities occur”. In the Belgian case, Verwee & Walle (2008, p. 73) concludes that the “responsibility for corrupt practices [...] belongs [...] especially to Western businesses that abuse new methods of public governance to influence public decision making”. In Estonia, scientific research found that “both public officials and citizens are more likely to engage in corruption when they do not define corruption as wrong, and when they perceive that corrupt behavior is widespread among their peers” (Tavits, 2010, p. 1257). In Hungary, the more people regard political corruption as an elemental part of the political system, the more they strongly protest against it (see Gulyás, 2004). In sum, the more they perceive its

‘beyond the law’ implications, the more they demand governments to implement anti-corruption measures to deal with its illegal aspects. Certainly a paradox that reaffirms how citizens act: they feel they know what corruption is about (only about illegalities), but they are confused about how pervasive it could be when socially approved (legal corruption). Again, such ubiquitous relation between corruption and society is determinant to understand the Malayan situation. Malaysians seem to have difficulties to evaluate how noxious socially accepted corrupt behaviors may become when developing strategies to curb corruption. Such inconsistency seems to have undermined the efficacy of anti-corruption measures recently (see Siddiquee, 2010).

These countries are in the pathway to transition, because they mostly recognize what corruption is in an illegal perspective, but still fail to evidence how it can be politically destructive. In this context, moderate levels of perceived corruption do not imply its control. In brief, legality becomes once more a plausible justification to understand why the corrupt business bothers especially citizens in advanced democracies or commercial/industrial-oriented nations. Table 8 shows what counts as determinant for perceiving moderate (but still high) levels of corruption in these countries.

Table 8: Reasons for the relevance of corruption in societies where corruption is perceived as moderately endemic and resilient

Subgroup	Main characteristics to determine a moderately high perceived relevance of corruption
Transition countries	The difficulty in determining how politically destructive socially accepted corrupt behaviors can be

4.1.3. Socially controlled, but not inexistent

It is usual to define a cluster in which corruption is inexistent. Kaufmann & Vicente (2011, p. 196) did it with legal corruption. However, it is necessary to overcome such simplistic perspective, because corruption does exist in countries like Canada, South Korea, Australia, New Zealand, Luxembourg, Switzerland, Norway, Finland, or Denmark. The only difference is how citizens deal with its occurrence. This ‘socially controlled corruption’ set of countries presents a combination of two vital conditions capable of curbing perceptions of corruption: (i) a disseminated sense of ethics in politics (ii) and the recognition of corruption as an issue that goes beyond the limits imposed by norms, laws and statutes.

In Canada, for e.g., citizens “believe that their politicians are not meeting expectations as defined in ethical terms” (Atkinson, 2011, p. 446). However, they know that corruption is a

comprehensive phenomenon, which encompasses especially tacit behaviors. As pointed by Atkinson,

“there is growing evidence that for citizens of democracies like Canada, corruption is not fundamentally about either of these things [(breaking increasingly elaborate contracts between office-holders and the state or the prevalence of rent-seeking officials who hold processes and players for ransom)]. Or, put another way, it is only incidentally about these things. For democratic citizens, corruption is the breakdown of trust between rulers and the ruled” (Atkinson, 2011, p. 447).

Such breakdown of trust in politics is largely perceived as a problem in this set of countries. Albeit not in a large scale, “[e]ven in [...] [nations] that sit at the apex of the corruption indices, like Finland, Denmark, [and Norway], not everyone is prepared to give political institutions the benefit of the doubt” (Atkinson, 2011, pp. 448–449).

Indeed, Nordic people do recognize an implicit – albeit marginal – occurrence of political corrupt acts (see Linde & Erlingsson, 2013). Curbing corruption becomes then very easy, because ethical standards are widespread and any moral transgression should be sanctioned (not by laws, but by ethics). Again, Atkinson offers a good explanation for this situation:

“Departures from standard practice—whether in obtaining licenses, hiring officials, or tendering contracts—light up against a background of adherence to rules and high standards of probity” (Atkinson, 2011, p. 446).

Denmark is surely a good example of best practices in this field (see Johnston, 2013), because its citizens’ behaviors are not based on reasons to explore normative loopholes. In the opposite direction, Danes created a virtuous cycle of absence of corruption. In Manion’s words, “low-corruption countries have arrived at a ‘clean government’ equilibrium, and there is little reason to expect them to depart from it” (Manion, 2003, pp. 11–12).

Other localities, such as New Zealand (see Gregory & Zirker, 2013), Australia, South Korea, Luxembourg, and Switzerland just follow a similar tendency: for them, corruption is not perceived as a massive problem, but it exists and must be controlled by society. In summary, the absence of corruption does not represent a given external benefit. Contrariwise, it is an

internal continuous pact of ethics and morality among citizens. Table 9 describes what should count as determinant to evidence low levels of perceived corruption in these countries.

Table 9: Reasons for a perceived moderate/low relevance of corruption in advanced democracies

Subgroup	Main characteristics to determine moderate or low levels of perceived relevance of corruption
‘Socially controlled corruption’ countries	The comprehension of corruption as an all-embracing concept based on moral codes and not determined exclusively by lawful constraints

4.2. *Enfin*, legal corruption

As observed, corruption is a public drawback evidenced in advanced democracies and newly industrialized countries. It seems that corrupt behaviors have been affecting politics in many distinct contexts. In places where it is considered extremely relevant, citizens recognize that the political process is distorted by any sort of corrupt practices, albeit they do not know what corruption really means and tend to accept as not corrupt what laws do not forbid (even if actions are anti-ethical). In localities where corruption is moderately perceived as a problem, citizens are able to clearly identify and sanction illegal corrupt behaviors, but remain incapable of understanding how destructive a licit corruption can be. In countries where corruption is not seen as significant, people are apparently able to recognize that corruption is more comprehensive and related to moral misconducts.

For different reasons, they all agree there is something that goes beyond the norms and still makes societies worry about corruption. Is legality in fact determining citizens’ perception of the relevance of corruption? In order to answer this question, it is now time to identify how legal corruption occurs and how it correlates with the relevance of corruption (subsection 4.2.1) and in what circumstances it deserves special attention (subsection 4.2.2).

4.2.1. Legal corruption and its connections with a perceived relevance of corruption

A composite perceptual index⁴⁵ was used to identify patterns of corrupt legality among advanced democracies and quasi-democracies. In this sense, three groups could be defined:

⁴⁵ These results refer to a composite variable determined by a factorial analysis of three other variables: influence peddling, institutional corruption, and state capture. Such composite variable was built in order create an index for legal corruption. Measurements here observed were intentionally structured (a standard normal distribution was modelled) to facilitate comparisons among countries.

(i) one in which legal corruption is said to be perceived as common, other (ii) in which it is moderately observed, but still relevant; and another (iii) in which citizens tend to consider it unusual.

Figure 3 shows that ‘beyond the law’ actions are considered recurrent. Based on a standard normal distribution, only seven countries departed significantly from positive results which symbolize high levels of perceived usage of socially accepted corrupt behaviors⁴⁶: Norway (with a -3.03 score), Denmark (with a -2.39 score), Finland (with a -1.94 score), Switzerland (with a -1.86 score), South Korea (with a -0.87 score), Malaysia (with a -0.84 score), and Estonia (with a -0.59 score). Citizens from places in which corruption is perceived as something extremely (or at least moderately) relevant tended to observe high levels of legal corruption. In the opposite direction, countries with low levels of perceived corruption displayed discrete results when considering a ‘beyond the law’ perspective of corruption.

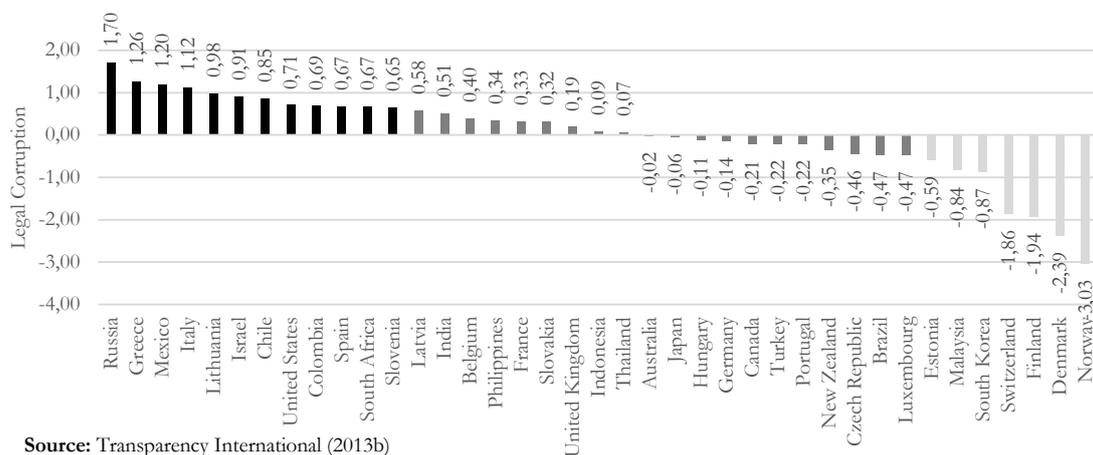


Figure 3: Levels of perceived legal corruption in advanced democracies and emerging industrialized countries

There is a latent relation between the perception of corruption as a public problem and the belief that licit corrupt behaviors should be used to make politics functions (see Figure 4⁴⁷). Results are similar in both directions (for the relevance of corruption and for its ‘beyond the law’ misappropriation), what suggests a robust interaction⁴⁸.

⁴⁶ Considering a simple composite index based on an average score of the three dimensions of legal corruption (influence peddling, institutional corruption, and state capture), Estonia, which is the first ‘non-legally corrupted’ society in Figure 3, presented a 3.36 result in a Likert scale of 5 items. This suggests that all countries with scores above Estonia presented high (or at least moderate) levels of perceived usage of socially approved corrupt behaviors.

⁴⁷ Data intended to make all variables compatible and comparable. For this reason, a standard normal distribution was then used to determine the relevance of corruption.

⁴⁸ Subsection 4.3.3 expands this central issue and gives support to reaffirm such assertion in a more comprehensive way.

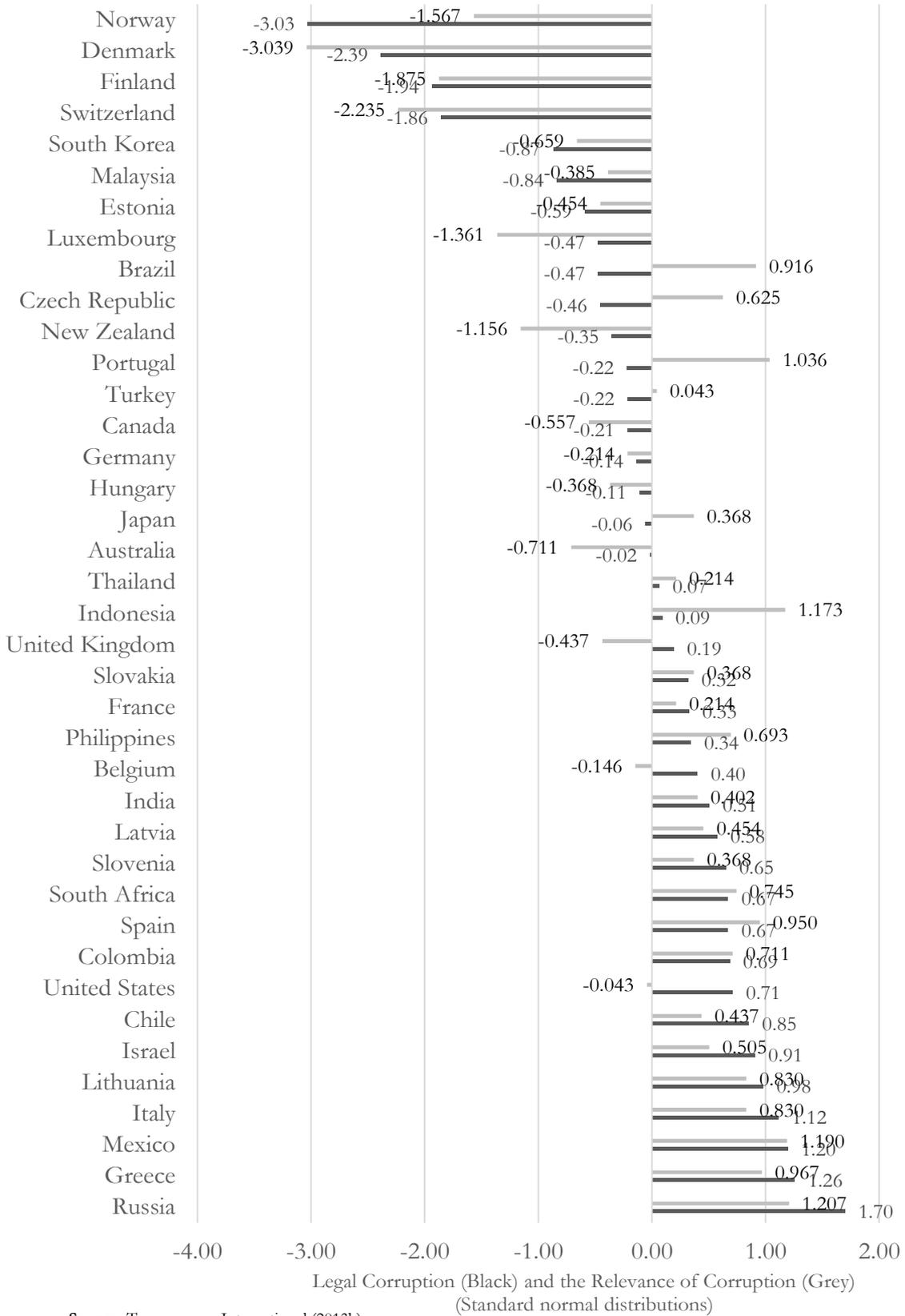


Figure 4: Comparing levels of perceived relevance of corruption and levels of perceived legal corruption in advanced democracies and emerging industrialized countries

There is a compatibility between levels of perceived corruption and the usage of socially accepted corrupt acts. As observed in Figure 4, countries that scored high in one dimension (the relevance of corruption) also presented high levels of legal corruption in their societies. It is possible to affirm that these two variables interact in a very strong way. A Pearson's correlation coefficient (r) of 0.821 determines a positive interaction and ratifies what has been discussed lately: these two variables are intrinsically connected and, for this reason, *Main-H1* apparently appears to be true.

They correlate, but more investigation is necessary to understand the causal relation between them and if a 'beyond the law' explanation for corruption is really able to determine its latent perceived social relevance in different societies. Table 10 ratifies such correlation and offers new conditions to explore legality in corruption.

Table 10: Correlation between the relevance of corruption and legal corruption

	Results
Pearson product-moment correlation coefficient (r) between 'the relevance of corruption' and 'legal corruption'	0.821***
N	39

Statistically significant ***(1% level).

The relevance of corruption is thus correlated with legal corruption, but general inferences must be done with caution, especially causal ones. Some potential exceptions observed in Figure 4 need to be further investigated. In most countries, as here discussed, high levels of perceived relevance of corruption as a public problem are associated with high levels of legal corruption, but it does not happen in Brazil, Portugal, the Czech Republic, and Indonesia.

Considering what has been argued in section 4.1, it is then possible to conclude that socially accepted corrupt behaviors work as a powerful tool to understand the reason why citizens consider corruption something relevant. 'Socially controlled corruption' countries presented low levels of legal corruption, what ratifies their latent perception of a broader corruption that represents "the breakdown of trust between rulers and the ruled" (Atkinson, 2011, p. 447). In transition countries, legal corruption was mainly evidenced as usual, albeit not necessarily related to high levels of perceived relevance of corruption. This fact reinforces the idea of difficulty in observing the pervasiveness of corrupt actions in 'beyond the law' terms, i.e., citizens understand that socially accepted corrupt behaviors exist, but they are not sure about how destructive it could be for politics. Finally, in places where corruption is seen as an extremely relevant public problem, people tend to assume licit corrupt actions as part of the process and have difficulty in understanding what corruption really is.

4.2.2. Potential exceptions? The ‘I see nothing, but I guarantee it happens’ effect

Dissonant voices come from countries like Brazil, Portugal, the Czech Republic, and Indonesia. In these localities, corruption is largely perceived as a public plague, although almost unnoticed by citizens as an unacceptable licit political tool. A contradiction is then evidenced: corruption has been reported as problematic, while locals have been neglecting its licit capability to deteriorate political institutions. Initially, such situation might configure a potential refutation of what has been previously discussed in this thesis. However, a more detailed observation reveals that this apparent exception in fact configures a prominent confirmation of how pervasive licit corrupt behaviors can be, especially in advanced democracies and emerging industrialized countries. These societies present what is defined here as the ‘I see nothing, but I guarantee it happens’ effect. Put in other words, citizens refute to accept corruption as fundamental, even though they know it determines how politics operate. In such context, freedom of speech is guaranteed and people are able to express their opinion. The problem does not refer to the limitation of fundamental rights, but to a systematic rejection of participation in the corrupt equilibrium by citizens. A reversal populism is then employed to preserve society as pure and uncorrupted: politics (‘they’) are corrupt and distort the political functioning in order to benefit from the system, whereas citizens (‘we’) are desperately fighting against any harm corrupt behaviors promote. What happens if citizens are considered a part of the political game? ‘We’ become also corruptible and determinant to reinforce the prevalence of self-promoted interests in the public arena.

This set of countries presented high levels of perceived relevance of corruption combined with moderate or even low levels of legal corruption. Causing certain disturbance in the results, such observations had something in common: they all are “I see nothing, but I guarantee it happens’ cases, which means that they do not displayed results apparently contradictory because of a limitation of essential individual rights, but because of a non-acceptance of participation in the corrupt equilibrium that permeates politics by citizens as a whole.

Brazil presented the higher disparity between the relevance of corruption and its perceived ‘beyond the law’ commitment (a difference of 1.386, considering comparable standard normal distributions). Following this tendency, Portugal presented great disparity (a difference of 1.256). The Czech Republic also scored remarkably divergent when these

parameters were taken into consideration (a difference of 1.085). Again, Indonesia reinforced the pattern: it presented a difference of 1.083 between these two selected variables.

Explanations for this phenomenon are similar and encompass a perception of “political connections as one of the main strategies for life success [in these countries] [...]” (M. L. Smith, 2010, p. 449). Albeit condemnable, corruption is seen as a fundamental tool to make individual interests represented in societies where industrial or commercial gains command. If entrepreneurs need the state to reach their goals, citizens will do exactly the same to achieve their objectives. In this scenario, “[c]itizens not only mistrust public officials, they also believe the state apparatus is obstructive of their initiatives and above all of the exercise of their rights” (de Sousa, 2008, p. 21). It becomes then necessary to distort the natural functioning of the state to have political voice and to make interests secured. Thus, corruption configures not only an avoidable occurrence, but a channel to democratize rights when governments simply fail to guarantee democratic conditions of political access, representation and/or independence.

4.3. Finding good measures to explain the relevance of corruption

As it was possible to observe, the relevance of corruption as a major public problem is apparently connected with a ‘beyond the law’ explanation for corruption. However, further investigation is needed in order to verify if a causal relation between them does exist. First, a rival illegal explanation will be presented (subsection 4.3.1), because it would be impossible to describe potential implications of legal corrupt behaviors on the way citizens perceive the importance of corruption without recognizing the existence of possible implications of illegal corruption (a rival interpretation) with regards to this issue.

After assessing such rival interpretation, the specific causal implications of the proposed control variables on how citizens perceive legality in corruption will be discussed (subsection 4.3.2). Finally, a ‘beyond the law’ explanation for the relevance of corruption will be proposed and properly validated (subsection 4.3.3).

4.3.1. A rival illegal explanation?

Citizens’ perceptions of illegalities in corruption has been used by surveys as a plausible determinant to measure corruption or at least some dimensions of the corrupt behavior. However, it is here observed that it is necessary to take care when considering such illegal

approach sufficient to explain corruption and especially its relevance. In this subsection, it will be shown that illegal corruption represents only an apparent determinant which has a limited explanatory power.

Figure 5 suggests a certain positive relation between the evidenced commitment of illegalities and the relevance of corruption. Table 11 presents a Pearson’s correlation coefficient of 0.399, what constitutes a moderate interdependence in social sciences. Albeit important, it is necessary to investigate if an illegal approach really matters to determine citizens’ perceptions of the relevance of corruption as a public problem. Recurrently, studies use illegalities to interpret corruption indexes, but such strategy appears to be limitative. The perception of illegal corruption exerts influence on how people see corruption in ordinary interactions with public institutions, but it is not certain if illegalities are determinant to understand citizens’ perceptions about the relevance of corruption, i.e., illegalities may present a marginal explanatory power. Indeed, this is exactly what happens: illegal corruption does not appear to determine the relevance of corruption, offers a limited explanation for the phenomenon, and becomes secondary when other variables are added to the model.

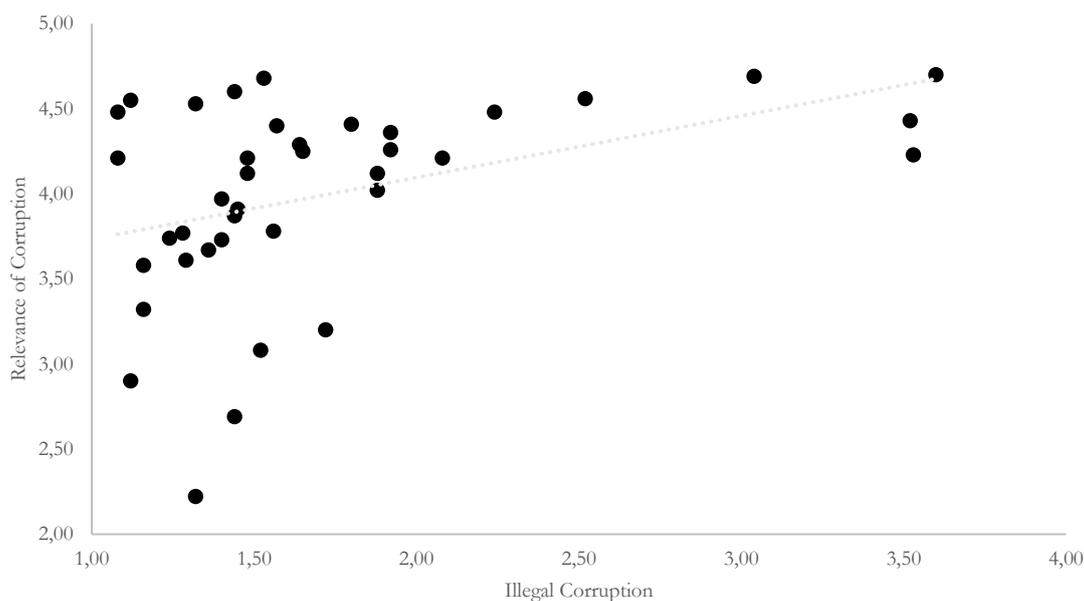


Figure 5: ‘Illegal Corruption’ vs. the ‘Relevance of Corruption’

Table 11: Correlation between the relevance of corruption and illegal corruption

	Results
Pearson product-moment correlation coefficient (r) between ‘the relevance of corruption’ and ‘illegal corruption’	0,399**
N	39

Statistically significant **(5% level).

It would be possible to admit the acceptance of *Rival-H1a* in places where corruption is widespread and democratic values are not even fostered. Both advanced democracies and quasi-democracies are not included in this context, because there is at least an apparent ambiance of respect of the individual rights.

Table 12 confirms the expectations. Albeit moderately correlated with the relevance of corruption, illegal corruption does not appear as a main determinant. Linear regressions were used to show that illegalities act just as a supporting element, and not as a core reason to mold citizens' perceptions of the relevance of corruption as a whole. When observed alone (Model A.1), illegal corruption appears as significant, but with a reduced explanatory power – a coefficient of determination (R^2) of 0.159. When combined with years of schooling (Model A.2), it remains significant, but not expressive. However, when political stability is added (Model A.3), illegal corruption loses its significance. Model A.4 just reinforces the secondary role played by illegalities in this context.

In sum, these 4 models offer a limited explanatory power for the perceived relevance of corruption in advanced democracies and emerging industrialized countries. Model A.2 presents a R^2 of 0.268, Model A.3, a R^2 0.339, and Model A.4, a R^2 of 0.348, respectively. All coefficients of determination are below 0.4. Such occurrence reduces the importance of this specific set of variables and promotes a quest for better determinants. In summary, all these variables appear to be secondary to explain citizens' perceptions of the relevance of corruption.

Table 12: Illegal determinants of the relevance of corruption

Dependent variable: Relevance of corruption				
Independent Variables	Model A.1	Model A.2	Model A.3	Model A.4
Constant	3.975*** (0.087)	3.991*** (0.083)	4.091*** (0.087)	4.078*** (0.090)
Illegal	0.214** (0.081)	0.175** (0.078)	0.098 (0.081)	0.103 (0.082)
Political Stability	-	-	-0.323*** (0.103)	-0.270** (0.130)
Education (years of schooling)	-	-0.197** (0.085)	-	-0.069 (0.102)
R^2	0.159	0.268	0.339	0.348
N	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

Table 12 serves to conclude that an illegal explanation is not sufficient to determine the relevance of corruption in general terms. In models A.3 and A.4, it becomes even statistically insignificant. In other words, *Rival-H1a* should be refuted. Moderate levels of correlation, low levels of explanatory power in models where illegalities take part, and reduced statistical significance make illegal corruption secondary to the understanding of a perceived social

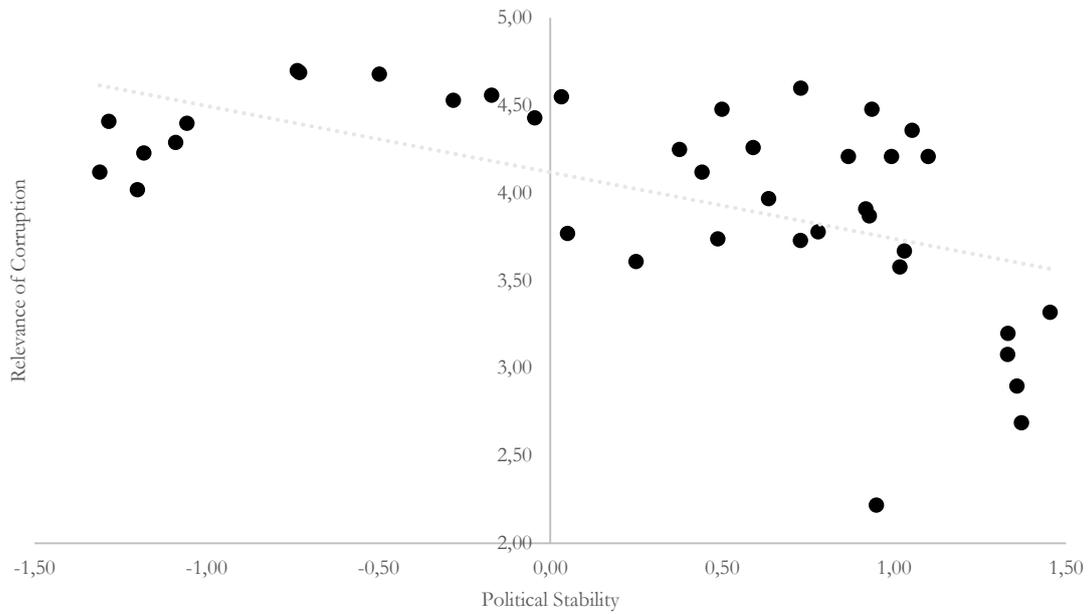
relevance of corruption. Although historically correlated with high levels of corruption (both perceived or real), it was proved here that illegalities are not as crucial as it was expected lately. Thus, an overvalued illegal perspective of corruption has been used to justify why citizens are concerned with corruption itself. However, such strategy appears to be strongly based on common sense. People, at least in advanced democracies and emerging industrialized countries, are preoccupied with corruption not because of its illicit projection, but because of its socially accepted interference in the political process. What was here proved is that the perception of illegalities may produce marginal influence on the perception of corruption as a public problem, but it cannot be considered determinant to interpret such issue.

4.3.2. Controlling sociocultural interactions

As any other phenomenon, corruption is influenced by certain cultural or social exogenous circumstances. Due to its complexity, corrupt behaviors were directly linked to two specific control variables: political stability and education (years of schooling). The first one represents a possibility to expunge temporary democratic ruptures that may distort citizens' opinions about the relevance of corruption. The second one appears to determine a progressive condition that may influence the comprehension about what really constitutes corruption and how pervasive, resilient, and adaptable, it might be. It was expected to observe low levels of perceived relevance of corruption combined with both high levels of political stability and literacy. Is it true? Let us find out.

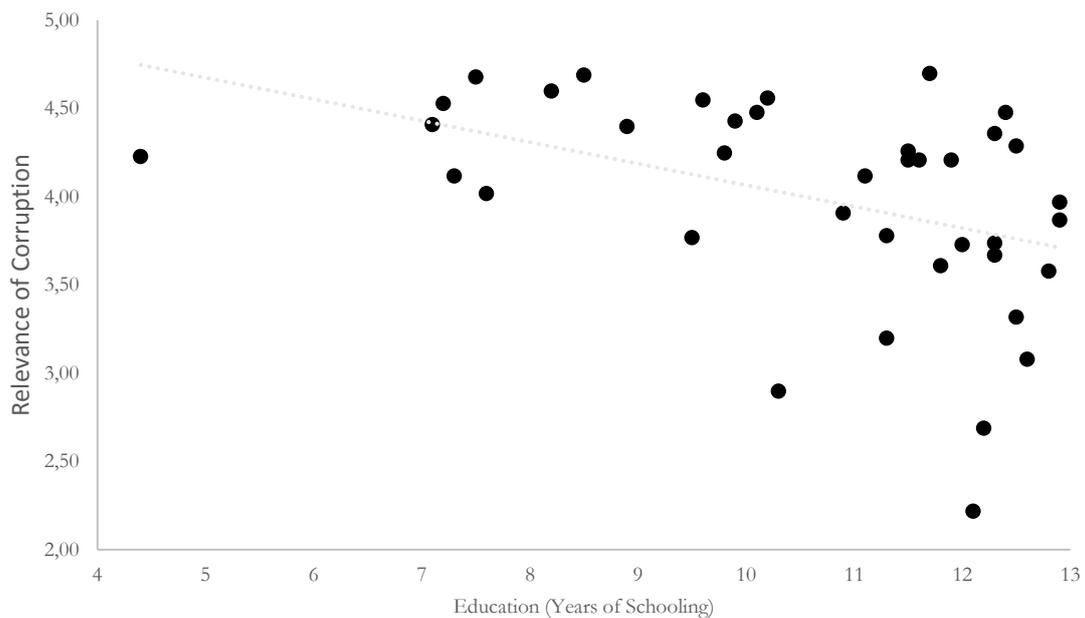
Figures 6 and 7 illustrate such expected negative correlation. In essence, both political stability and years of schooling present apparently moderate negative levels of correlation with the relevance of corruption. Tables 13 and 14 show Pearson product-moment correlation coefficients between each control variable and the relevance of corruption. The correlation with political stability is represented by a -0.559 coefficient, while the correlation with education is lower and determined by -0.409 coefficient.

It is possible to assume that a preliminary bivariate interaction identified moderate relationships between the relevance of corruption and both political stability and education. However, a perceived relevance of corruption does not seem to be strongly associated (in linear terms) with lower levels of social stability and literacy, at least in a scenario where legal corruption remains constant.



Sources: Transparency International (2013b) and Kaufmann & Kraay (2015)

Figure 6: ‘Political Stability’ vs. the ‘Relevance of Corruption’



Sources: Transparency International (2013b) and United Nations Development Programme (2014)

Figure 7: ‘Education’ vs. the ‘Relevance of Corruption’

Table 13: Correlation between the relevance of corruption and political stability

	Results
Pearson product-moment correlation coefficient (r) between ‘the relevance of corruption’ and ‘political stability’	-0.559***
N	39

Statistically significant ***(1% level).

Table 14: Correlation between the relevance of corruption and education

	Results
Pearson product-moment correlation coefficient (r) between ‘the relevance of corruption’ and ‘education (years of schooling)’	-0.409***
N	39

Statistically significant ***(1% level).

The result displayed in Table 13 ratifies what was evidenced by Fjelde & Hegre (2014), Nurtegin & Czap (2012), and Schumacher (2013), because political stability correlated moderately with the relevance of corruption. However, such relation must be further investigated. Albeit evidenced, the occurrence of social convulsions may be not necessary to determine how citizens perceive the commitment of corrupt behaviors in their respective societies. It is necessary something else, something that is not captured by political instability, illegal corruption, or even literacy. The result shown in Table 14 just expands what has been discussed, because education also correlates moderately with the relevance of corruption.

Table 15 presents how each proposed control variable (political stability and education) interacts with the relevance of corruption in a linear approach. Models A.5, A.6, and A.7 clarify the limited explanatory power of such control variables. Model A.5 considered only political stability as a necessary condition and produced a R^2 of 0.313. Model A.6 considered education as a necessary independent variable and displayed less significant results with a R^2 of 0.167. Model A.7 confirmed that adding parameters to control levels of education does not improve the model – R^2 remained near 0.3 and education became statistically insignificant.

Table 15: Control determinants of the relevance of corruption

Dependent variable: Relevance of corruption			
Independent Variables	Model A.5	Model A.6	Model A.7
Constant	4.119*** (0.084)	4.011*** (0.087)	4.109*** (0.087)
Political Stability	-0.380*** (0.092)	-	-0.338*** (0.119)
Education (Years of Schooling)	-	-0.239*** (0.088)	-0.057 (0.103)
R^2	0.313	0.167	0.319
N	39	39	39

Statistically significant *(10% level); *(5% level); *(1% level). Standard Errors in brackets.

Else, Tables 12 and 15 can be analyzed together. Illegal corruption, political stability, and education offered only moderate levels of correlation with the relevance of corruption. A model in which all these parameters were considered still presented a R^2 of 0.348 (Model A.4). Illegality, even when political stability and education took part in the model, remained

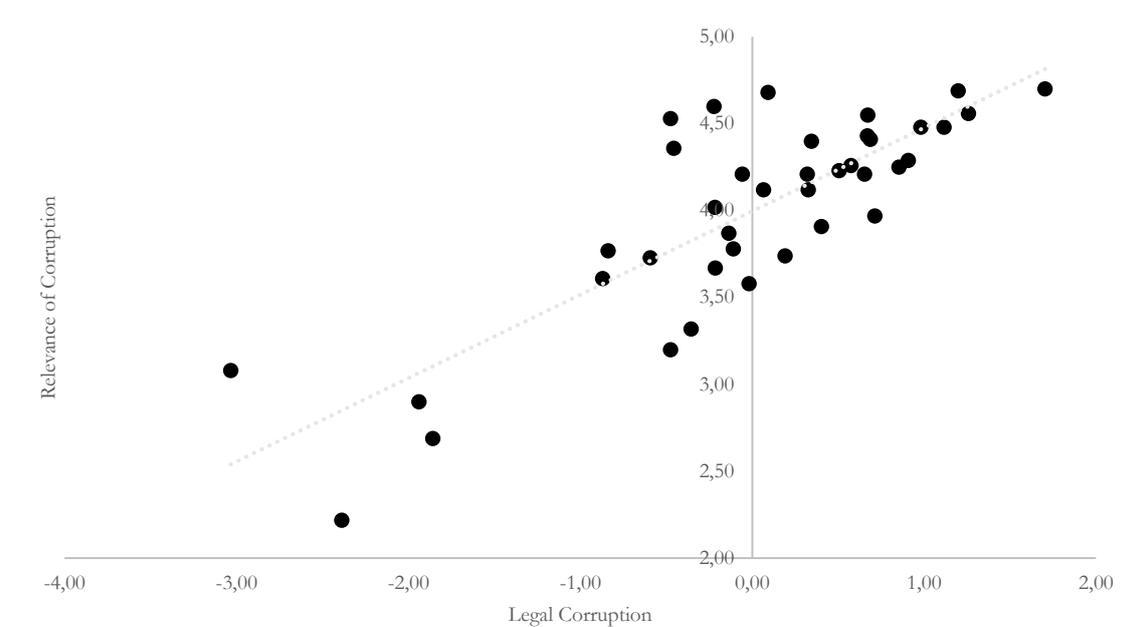
weak to explain why citizens consider corruption so relevant in advanced democracies and emerging industrialized countries. In addition to what has been concluded in subsection 4.3.1, political stability and education cannot be considered determinant to define levels of perceived relevance of corruption, even though they showed the expected negative relationships with the relevance of corruption. *PolStab-H1b* and *Educ-H1c* should be then refuted. Causal inferences are not confirmed by moderate levels of interdependence. The relation between these two control variables and the relevance of corruption exists, but ‘beyond the law’ factors may be encompassing such influences.

4.3.3. Perceiving relevance, perceiving legality in corruption

There is corruption beyond the limits of what is prescribed by law. Legal corruption is much more about perceptions than about real occurrences. It is necessary to understand that citizens are not disappointed with the way politics operates in their countries because of the incidence of illegal corruption and not even because of what is perceived as corruptly illicit (as proved in subsection 4.3.1). In fact, there is much more acceptance in what should count as politically destructive than one should imagine. However, the adoption of distorted laws, regulations, and statutes create the illusion of a society without corruption. In other words, using political institutions to reconfigure social norms and make them adapted to consider what is morally wrong as lawful does not eliminate corruption. On the contrary, it just reaffirms the necessity of combating a different expression of the phenomenon: a socially accepted corruption, i.e., legal corruption.

As previously observed, the way in which citizens perceive the commitment of illegalities is not sufficient to explain the perception of the relevance of corruption in advanced democracies or emerging industrialized countries. Something else is challenging the *modus operandis* of corruption: the distrust in public institutions. A latent discredit in governments, parliaments, and courts is not related to the inability to punish what is prescribed as wrong and against the laws. Such discredit is a direct consequence of the distortion of the political process in order to promote particularistic interests. Legal corruption offers a reasonable interpretation for this issue.

The perceptions of both the relevance of corruption and legal corruption are intrinsically interconnected (see Table 10). Consequently, it is impossible to dissociate mutual implications and consequences. This thesis argues that levels of ‘beyond the law’ corruption determine levels of relevance. Figure 8 shows a clear association between these two variables.



Source: Transparency International (2013b)

Figure 8: ‘Legal Corruption’ vs. the ‘Relevance of Corruption’

Table 16 expresses the crucial role played by legal corruption. Model A.8 describes how powerful a ‘beyond the law’ perception of corruption is to determine the relevance of corruption in a given advanced democracy or quasi-democracy (a R^2 of 0.675 confirms it). Legal corruption is *per se* sufficient to explain the relevance of corruption, because it fitted well in every proposed model in which it was used. Models A.9 (with a R^2 of 0.714), A.10 (with a R^2 of 0.738), and A.11 (with a R^2 of 0.741) improved what was found in Model A.8 and described that even considering control variables, legal corruption still matters to explain the phenomenon.

Table 16: ‘Beyond the law’ determinants of the relevance of corruption

Dependent variable: Relevance of corruption				
Independent Variables	Model A.8	Model A.9	Model A.10	Model A.11
Constant	3.996*** (0.054)	4.045*** (0.056)	4.005*** (0.049)	4.022*** (0.055)
Legal	0.480*** (0.055)	0.418*** (0.059)	0.450*** (0.051)	0.433*** (0.057)
Political Stability	-	-0.153** (0.068)	-	-0.055 (0.084)
Education	-	-	-0.150*** (0.051)	-0.123* (0.065)
R^2	0.675	0.714	0.738	0.741
N	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

Besides that, Table 17 insert illegal corruption in the discussions. Model A.12 appears to prove that illegalities and legalities are not simplistically complimentary. Comparing Models A.1, A.8, and A.12, makes possible to affirm that any illegal disturbance that influences a

perceived relevance of corruption is in fact subsumed into a macro-perception of what should count as legal corruption. In other words, Model A.1 presented illegal corruption as potentially determinant, but with a R^2 of only 0.159. Model A.8 showed legal corruption as a powerful determinant with a strong R^2 of 0.675. Model A.12 (with a R^2 of 0.678 almost equivalent to that obtained in Model A.8) evidenced that combining these two dimensions of corruption in the same model does not help to explain the relevance of corruption. Contrary to expectations, such a combination makes even more clear that illegalities are secondary to the explanation. When considering both illegal and legal corruptions in Model A.12, illegal corruption became statistically insignificant and not necessary. Models A.13 to A.15 just confirms this tendency: legal corruption remained relevant and determinant, while illegal corruption stayed not significant and the other two control variables added little when evaluating the increasing complexity of the models in combination with their explanatory power. Model A.8 offered a simple solution to the problem with a robust evidence. No other model proved to be more effective than this specific model.

Table 17: Illegal and legal interactional determinants of the relevance of corruption

Dependent variable: Relevance of corruption				
Independent Variables	Model A.12	Model A.13	Model A.14	Model A.15
Constant	3.992*** (0.055)	4.046*** (0.058)	4.004*** (0.050)	4.021*** (0.058)
Illegal	0.034 (0.056)	-0.004 (0.056)	0.012 (0.052)	0.003 (0.055)
Legal	0.464*** (0.061)	0.419*** (0.062)	0.445*** (0.056)	0.432*** (0.060)
Political Stability	-	-0.154** (0.073)	-	-0.054 (0.089)
Education	-	-	-0.148*** (0.052)	-0.124* (0.066)
R^2	0.678	0.714	0.738	0.741
N	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

The results presented in Tables 10, 16, and 17 are sufficient to affirm that the higher the occurrence of legal corruption in a country, the higher the relevance of corruption as a public problem in this country. The way in which citizens perceive the occurrence of socially accepted corrupt behaviors is in fact what counts as crucial to understand why corruption is seen as a major public problem in advanced democracies and newly industrialized countries. Adding a rival explanation based on illegalities and socio-cultural control variables reinforced such finding, because it clarifies what should cause disturbance and make the results even more robust and clear. Removing possible noises such as political instability or levels of education, enhances the explanatory power of the most adjusted (and simple) model: Model A.8.

4.4. Conclusive remarks and findings

After observing how both the relevance of corruption and legal corruption are perceived by citizens in advanced democracies and emerging industrialized countries and after understanding how each selected variable affects the perception of the relevance of corruption as a public issue, it is now possible to present some important findings and establish some conclusions.

Table 18 displays all the proposed hypotheses for this first step of the research and makes clear what has been refuted and what has been confirmed. *Main-H1* was confirmed, whereas *Rival-H1a*, *PolStab-H1b*, and *Educ-H1c* were all rejected. It does not mean that illegal corruption, political stability, and education are not important to comprehend how the corrupt thing operates. It just means that they are secondary to the process of understanding how citizens perceive the relevance of corruption. One thing is to find explanations for a real occurrence of corruption worldwide, and another thing is to explain why people identify corruption as a major public problem in advanced democracies and emerging industrialized countries.

Table 18: Summing up: hypotheses tested (Step 1)

Hypotheses (Step 1)	Results		
	Is there a latent correlation with the relevance of corruption?	Is such relation able to work as a necessary determinant for the relevance of corruption in a multivariate linear analysis?	Final Result
<i>Main-H1</i> : The higher the occurrence of legal corruption in a country, the higher the relevance of corruption as a public problem in this country	Yes Very strong positive correlation	Yes	Hypothesis confirmed
<i>Rival-H1a</i> : The higher the occurrence of illegal corruption in a country, the higher the relevance of corruption as a public problem in this country	Yes Moderate to low positive correlation	No	Hypothesis rejected
<i>PolStab-H1b</i> : The higher the political stability in a country, the lower the relevance of corruption as a public problem in this country	Yes Moderate negative correlation	No	Hypothesis rejected
<i>Educ-H1c</i> : The more years of schooling, the lower the relevance of corruption as a public problem in a country	Yes Moderate negative correlation	No	Hypothesis rejected

As a central finding, it is possible to affirm that the higher the occurrence of legal corruption in a country, the higher the relevance of corruption as a public problem in this country. Such statement is contrary to previous scientific expectations in the field. Of course, it was

expected to find a strong relation between the relevance of corruption and legal corruption. The unexpected was to discover that the way citizens perceive the commitment of illegal corrupt acts has nothing to do with the way they define corruption as a relevant public issue. It is important to mention that the discussions held were not concerned with real levels of occurrence of corrupt illegalities. On the contrary, the objective here was to identify how variations in the perception of illegal corruption affect the perception of the relevance of corruption itself. Levels of declared illegal corruptions (such as bribery, extortion or embezzlement) are always lower than what reality exposes. However, the interest was not to understand such ‘real-versus-perceived’ disparity in corruption. Patterns of perceived relevance of corruption in this specific set of nations were identified and explained in order to propose a reconfiguration of elementary characteristics of anti-corruption policies usually implemented. It is here found that a real incidence of corruption can only be controlled after reorienting citizens’ perceptions of corruption as something necessary for politics. Changing perceptions means changing behaviors and consequently reducing future commitments of corrupt behaviors.

Finding a simple solution to a complex issue: legal corruption does it. Figure 9 summarizes the discussions held and identify what should be concluded in this chapter. In sum, legal corruption is necessary and sufficient to explain how citizens classify the relevance of corruption as public problem in their democracies or quasi-democracies.

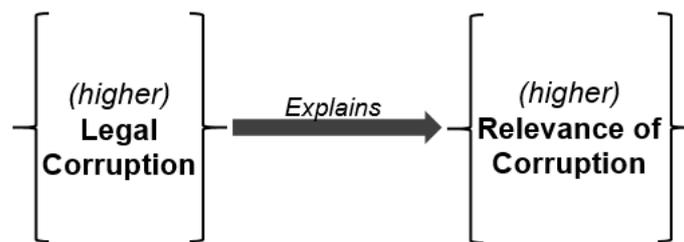


Figure 9: A causal relation between legal corruption and the relevance of corruption

It was identified that legal corruption is more important to define the relevance of corruption than its illicit counterpart. Even considering control variables (political stability and education) it remained valid. If a ‘beyond the law’ corruption affects the way in which citizens see corruption itself as relevant, so it becomes necessary to unveil what determines the perception of a corrupt legality.

Chapter 5

What determines legal corruption?

Illegal corruption has been broadly studied. Its causes have been largely contested and explained (see Lambsdorff, 2006; Seldadyo & Haan, 2006; Tanzi, 1998; Treisman, 2000). On the contrary, legal corruption is a phenomenon under construction, which means that its causes have not been fully assessed yet. Previous works only tried to observe if such ‘beyond the law’ corruption was related to a comprehensive definition of corruption (Castro, 2008, pp. 88–89) or if economic determinants were able to describe differences between legal and illegal corruptions (Kaufmann & Vicente, 2005, 2011). Chapter 4 proved that illegalities and legalities should not be considered complimentary dimensions of the relevance of corruption. Illegal corrupt implications were in fact subsumed by their legal counterpart and, for this reason, it is not reasonable to consider ‘beyond the law’ occurrences of corruption residual or marginal as usually attempted.

All these recent studies have one thing in common: they neglected plausible explanations that go beyond the boundaries of economic determinism. Conditions of direct transparency and public efficiency or efficacy should be properly explored. It does not mean that economic factors are irrelevant, but they are not sufficient to explain what really drives legal corruption. It is necessary to understand that macroeconomic instability may describe apparent higher levels of evidenced legal corruption in advanced democracies or pseudodemocracies, but there is more to be studied. This chapter will serve to do so.

First, extrinsic determinants of legal corruption will be presented, analyzed, and inserted in multivariate linear models to test and discover what really affects the way in which citizens observe the commitment of socially accepted corrupt behaviors (section 5.1). Then, it will be shown how the most prominent socioeconomic factors observed in section 5.1 interact and help to derive the most appropriate statistical model (section 5.2) to establish causal and theoretical conclusions about ‘beyond the law’ aspects of corruption (section 5.3).

5.1. Extrinsic determinants of legal corruption

Three questions must be answered in order to understand what counts to determine a perceived ‘beyond the law’ corruption in advanced democracies or quasi-democracies: (i) ‘Do higher levels of transparency and accountability decrease the perception of ‘beyond the law’ corrupt behaviors?’ (subsection 5.1.1); (ii) ‘Is it possible to control legal corruption by simply making governments more effective and efficient?’ (subsection 5.1.2); and (iii) ‘Do macroeconomic conditions affect the way in which citizens perceive legal corruption?’ (subsection 5.1.3).

Investigating if legal corruption is determined by this set of questions makes even easier to understand which kind of causalities must be seen as necessary (or not) to create an ambiance of social acceptance of certain corrupt behaviors. It is then necessary to avoid a simplistic comprehension of the phenomenon, because legal corruption is more than a simple concern about levels of perceived freedom of the press and/or accountability⁴⁹. Indeed, it is represented by a complex interaction of socioeconomic conditions and not by a single element. Only multivariate analyses in which variables are freely added or removed are able to prove what really determines legal corruption.

Else, each proposed subsection appeared as a manner to create rival explanations for legal corruption. Different scenarios and different variables enhanced the proposed findings and made solutions even more powerful and robust.

5.1.1. Transparency and accountability: are they really important?

Accountability and transparency usually appear together. Albeit intrinsically related, they are not the same. In this subsection, different forms of transparency and accountability will be used to identify patterns of a socially accepted and licit corruption. In other words, 4 independent variables (‘Transparency of Government Policymaking’, ‘Strength of Auditing’, ‘Freedom of the Press’, and ‘Internet Usage’) will try to explain legal corruption.

⁴⁹ Dincer & Johnston (Dincer & Johnston, 2015) created a justification based on reporters’ opinions about public corruption in American states, while Kaufmann & Vicente (2011) developed a statistically significant model in which accountability and freedom of the press were crucial. Dincer found statistical significance when adding moralism, urbanization, education, median income, voter participation, and media coverage. Their model produced a R^2 of 0.52 (Dincer & Johnston, 2015), but remained inconclusive because of their difficulty to find rival explanations for legal corruption. Accountability, equality, and initial income were also used by Kaufmann & Vicente (see 2011, pp. 212–214) to describe legal corruption, but these three variables did not enhanced the explanatory power of their models (in fact all their models, albeit statistically significant, produced low R^2 s).

Table 19 confirmed previous expectations: transparency and accountability are correlated with legal corruption. Both moderate and high levels of linear relationship were evidenced. The coefficients of correlation between each independent variable and legal corruption were -0.456 (regarding ‘Transparency of Government Policymaking’), -0.484 (regarding ‘Strength of Auditing’), 0.573 (regarding ‘Freedom of the Press’⁵⁰), and -0.681 (regarding ‘Internet Usage’), respectively. All results were statistically significant at 1% level.

Table 19: Correlations between T&A factors and legal corruption

Variables analyzed	Pearson product-moment correlation coefficient (r)
‘Transparency of Gov. Policymaking’ and ‘Legal Corruption’ ^a	-0.456***
‘Strength of Auditing’ and ‘Legal Corruption’ ^a	-0.484***
‘Freedom of the Press’ and ‘Legal Corruption’ ^a	0.573***
‘Internet Usage’ and ‘Legal Corruption’ ^a	-0.681***

^a N=39 / Statistically significant *(10% level); **(5% level); ***(1% level).

Table 19 made possible to affirm that all these variable are apparently correlated with legal corruption, but it is still necessary to explore if these parameters are adequate to explain certain levels of evidenced corrupt legality. For this reason, Table 20 describes how these variables interact with legal corruption and with one another. Linear regressions are conclusive and serve to affirm that only ‘Internet Usage’ was statistically significant and necessary. ‘Transparency of Government Policymaking’, ‘Strength of Auditing’, and ‘Freedom of the Press’ – albeit correlated with legal corruption – proved to be irrelevant when running multivariate regressions.

Table 20 gathers all results of the linear regressions that considered transparency and accountability as possible determinants of legal corruption. It is worth noting that all these variables were apparently seen as necessary conditions. Models B.1 to B.4 showed preliminary fitted results. Models B.1 to B.3 presented low levels of determination: model B.1 offered a R² of 0.208; Model B.2, a R² of 0.235; and Model B.3, a R² of 0.328. On the contrary, Model B.4 produced a promising explanatory power (a R² of 0.463). Subsequent models confronted these previous impressions and made clear that only ‘Internet Usage’ exerted direct influence on legal corruption. In fact, ‘Internet Usage’ encompassed all the implications caused by ‘Transparency of Government Policymaking’, ‘Strength of Auditing’, and ‘Freedom of the Press’. More complex models stated it. Models B.5 to B.15 just confirmed the importance of ‘Internet Usage’ in the process. Hypothesis *Internet-H2d* will be further investigated in section 5.2, but it should be confirmed in a preliminary evaluation.

⁵⁰ ‘Freedom of the Press’ presented a positive coefficient, but it is necessary to emphasize that its expected negative correlation with legal corruption (see subsection 3.2.2.1) was confirmed. The numerical scale for this variable was built in an inverse way (see Table 4), i.e., higher values represented less freedom of the press.

Table 20: T&A determinants of legal corruption

Dependent variable: Legal Corruption															
Independent Variables	Model B.1	Model B.2	Model B.3	Model B.4	Model B.5	Model B.6	Model B.7	Model B.8	Model B.9	Model B.10	Model B.11	Model B.12	Model B.13	Model B.14	Model B.15
Constant	2.871*** (0.934)	3.871*** (1.158)	-0.050 (0.134)	0.059 (0.119)	3.948*** (1.161)	1.407 (0.975)	1.017 (0.877)	2.004 (1.247)	1.667 (1.083)	0.036 (0.123)	2.115 (1.274)	1.700 (1.115)	0.879 (0.909)	1.504 (1.147)	1.536 (1.182)
Transparency of Government Policymaking	-0.645*** (0.207)	-	-	-	-0.302 (0.305)	-0.325 (0.261)	-0.217 (0.197)	-	-	-	-0.162 (0.287)	-0.045 (0.262)	-0.190 (0.203)	-	-0.040 (0.265)
Strength of Auditing	-	-0.745*** (0.221)	-	-	-0.501 (0.331)	-	-	-0.393 (0.237)	-0.311 (0.208)	-	-0.276 (0.317)	-0.279 (0.282)	-	-0.282 (0.219)	-0.254 (0.290)
Freedom of the Press	-	-	0.524*** (0.123)	-	-	0.421*** (0.139)	-	0.403*** (0.141)	-	0.141 (0.164)	0.388** (0.145)	-	0.108 (0.168)	0.081 (0.169)	0.080 (0.172)
Internet Usage	-	-	-	-0.622*** (0.110)	-	-	-0.552*** (0.127)	-	-0.553*** (0.124)	-0.518*** (0.164)	-	-0.527*** (0.129)	-0.481*** (0.169)	-0.481*** (0.165)	-0.477*** (0.169)
R ²	0.208	0.235	0.328	0.463	0.255	0.368	0.481	0.376	0.495	0.474	0.381	0.495	0.487	0.498	0.498
N	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

Hypotheses *Transp-H2a*, *Audit-H2b*, and *Press-H2c* must be rejected. Although they all described moderate and significant correlations with legal corruption, their impacts proved to be marginal and unnecessary to define how citizens perceive the occurrence of ‘beyond the law’ corrupt behaviors in advanced and/or industrial democracies (or quasi-democracies).

In part, these results confirmed what Kaufmann & Vicente (2011) and Dincer & Johnston (2015) found, because legality in corruption and accountability measures were described here as interdependent phenomena. However, these two scientific studies focused on describing transparency and accountability as an indirect action and did not verify if these elements fulfilled the publicity condition, i.e., the capacity of actually making transparency accessible by the public (Lindstedt & Naurin, 2010, p. 302). In this sense, a greater media coverage or even a freer press only determine lower levels of legal corruption if accompanied by direct strategies of transparency and accountability. In essence, “simply making information available [or public] – [...] do little to prevent corruption” (Lindstedt & Naurin, 2010, p. 302) if not followed by conditions of data access. ‘Internet Usage’ represents this direct capacity of revealing what governments do – and how they do – and rendering information accessible. Today, access to technologies represents a weapon against the validation of some corrupt behaviors as socially accepted. Believing in the probity of governments makes citizens less receptive to tolerate corruption as something necessary for politics to happen.

5.1.2. Are efficiency and efficacy crucial?

The perception of legal corruption is not only influenced by transparency and/or accountability (especially ‘Internet Usage’). Government efficiency and efficacy also plays a relevant role in this process. More than providing access to information, governments should be aware of the dangers of public malfunctioning. ‘Regulatory Quality’, ‘Efficiency of Legal Framework’, ‘Wastefulness of Government Spending’, and ‘Burden of Government Regulation’ will be tested in this subsection.

Table 21 displays all Pearson’s correlation coefficient (r) regarding efficiency and efficacy. ‘Regulatory Quality’ produced a r of -0.469; ‘Efficiency of Legal Framework in Challenging Regulations’, a r of -0.503; ‘Wastefulness of Government Spending’, a r of -0.596; and ‘Burden of Government Regulation’, a r of -0.462. All results were statistically significant at

1% level. Again, moderate correlations appeared and all expected relations were confirmed⁵¹. But, a question persists: can these variables explain levels of perceived legal corruption?

Table 21: Correlations between E&E factors and legal corruption

Variables analyzed	Pearson product-moment correlation coefficient (r)
‘Regulatory Quality’ and ‘Legal Corruption’ ^a	-0.469***
‘Efficiency of Legal Framework in Challenging Regulations’ and ‘Legal Corruption’ ^a	-0.503***
‘Wastefulness of Government Spending’ and ‘Legal Corruption’ ^a	-0.596***
‘Burden of Government Regulation’ and ‘Legal Corruption’ ^a	-0.462***

^a N=39 / Statistically significant *(10% level); **(5% level); ***(1% level).

Table 22 shows that in multivariate linear regressions, only ‘Wastefulness of Government Spending’ proved to be undeniably necessary to explain legal corruption in an ‘efficiency/efficacy’ perspective. It displayed high levels of statistical significance (at least at 5% level) and R² ranged from 0.355 (Model B.18) to 0.394 (Model B.30) in models where such variable was considered. For this reason, hypothesis *Waste-H2g* should be preliminarily validated.

Contrary to expectations, all the other variables – albeit moderately correlated with legal corruption – remained not statistically significant in multivariate linear regressions. Again, when ‘Regulatory Quality’, ‘Efficiency of Legal Framework in Challenging Regulations’, and ‘Burden of Government Regulation’ were considered alone (in simple linear regressions), they appeared to be potential valid determinants of legal corruption (Model B.16 presented statistical significance and a R² of 0.220, Model B.17 presented statistical significance and a R² of 0.253, and Model B.19 also presented statistical significance and a R² of 0.213). However, subsequent multivariate OLS linear regressions proved that these three variables gave almost no contribution to the explanatory power when combined with ‘Wastefulness of Government Spending’ (Models B.21, B.23, B.25, B.26, B.28, B.29, and B.30 presented coefficients of determination that ranged from 0.355 to 0.394 and poor p-values results for all variables, except for the variable ‘Wastefulness of Government Spending’). Hypotheses *RegQuality-H2e*, *LegFrame-H2f*, and *Burden-H2b* must be then rejected, because they described real interactions with no causal relevance or statistical significance for the process of describing legal corruption.

⁵¹ ‘Wastefulness of Government Spending’ and ‘Burden of Government Regulation’ presented negative coefficients, but it is necessary to emphasize that their expected positive correlations with legal corruption (see subsection 3.2.2.2) were confirmed. The numerical scales for these two variables were built in an inverse way (see Table 4), i.e., higher values represented both less public waste and less burdensome governments.

Table 22: E&E determinants of legal corruption

Dependent variable: Legal Corruption															
Independent Variables	Model B.16	Model B.17	Model B.18	Model B.19	Model B.20	Model B.21	Model B.22	Model B.23	Model B.24	Model B.25	Model B.26	Model B.27	Model B.28	Model B.29	Model B.30
Constant	0.685** (0.256)	2.059*** (0.593)	2.351*** (0.537)	2.151*** (0.694)	1.841*** (0.599)	2.209*** (0.543)	2.019*** (0.662)	2.357*** (0.577)	2.350*** (0.689)	2.029*** (0.630)	2.159*** (0.591)	2.149*** (0.683)	1.982*** (0.629)	2.048*** (0.660)	1.958*** (0.663)
Regulatory Quality	-0.725*** (0.225)	-	-	-	-0.425* (0.257)	-0.315 (0.242)	-0.524** (0.233)	-	-	-	-0.326 (0.250)	-0.435* (0.258)	-0.277 (0.249)	-	-0.285 (0.259)
Efficiency of Legal Framework in Challenging Regulations	-	-0.530*** (0.150)	-	-	-0.370** (0.175)	-	-	-0.008 (0.260)	-0.380 (0.231)	-	0.061 (0.263)	-0.205 (0.248)	-	-0.029 (0.261)	0.037 (0.267)
Wastefulness of Government Spending	-	-	-0.700*** (0.155)	-	-	-0.569*** (0.184)	-	-0.692** (0.290)	-	-0.978*** (0.324)	-0.621** (0.293)	-	-0.795** (0.363)	-0.953** (0.396)	-0.821** (0.413)
Burden of Government Regulation	-	-	-	-0.660*** (0.208)	-	-	-0.468** (0.218)	-	-0.268 (0.314)	0.386 (0.395)	-	-0.289 (0.306)	0.292 (0.403)	0.390 (0.402)	0.285 (0.412)
R ²	0.220	0.253	0.355	0.213	0.306	0.384	0.310	0.355	0.268	0.372	0.385	0.323	0.393	0.372	0.394
N	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

Perceiving waste in the public sector reinforces the idea of acceptability of corruption as necessary. In a system where inefficiency and inefficacy rule, it is then necessary to adopt corrupt behaviors, no matter if sanctioned or not by laws. In sum, higher levels of wastage promote equally higher levels of perceived legality corruption. Apparently, citizens' perceptions of legal corruption are not influenced by the quality of regulation in general terms, but by the governments' ability to make public institutions more objective, efficient and organized.

5.1.3. Do macroeconomic conditions matter?

Kaufmann & Vicente (2011, p. 216) once said that “the current literature is lagging on the comparison of the effects of legal and illegal types of corruption on economic performance”. Many studies about the influence of macroeconomic factors on illegal corruption have been performed since mid-twentieth century (Lambsdorff, 2006, pp. 24–27; Seldadyo & Haan, 2006, pp. 14–19). On the contrary, little is known about the interactions between macroeconomics and legal corruption. It is time describe such relationship.

Table 23 displays coefficients of correlations. When associated with ‘Legal Corruption’, ‘Taxation’ produced a r of 0.289; ‘Government Debt’, a r of 0.115; ‘GDP per capita’, a r of -0.441; and ‘Unemployment’, a r of 0.351. Statistical significance was evidenced only in relation to ‘GDP per capita’ (statistically significant at 1% level) and ‘Unemployment’ (statistically significant at 5% level). ‘Taxation’ and ‘Government Debt’ simply failed to explain ‘Legal Corruption’, because their results proved to be inexpressive in linear terms. Thus, hypotheses *Tax-H2i* and *Debt-H2j* must be immediately refuted. Hypotheses *GDP-H2k* and *Unemployment-H2l* needs further multivariate investigation. These two variables presented moderate levels of correlation with legal corruption. It is necessary to verify if they are in fact important to determine citizens' perceptions of legality in corruption. Table 24 provides these answers.

Table 23: Correlations between Macroeconomic factors and legal corruption

Variables analyzed	Pearson product-moment correlation coefficient (r)
‘Taxation’ and ‘Legal Corruption’ ^a	0.289
‘Government Debt’ and ‘Legal Corruption’ ^a	0.115
‘GDP per capita’ and ‘Legal Corruption’ ^a	-0.441***
‘Unemployment’ and ‘Legal Corruption’ ^a	0.351**

^a N=39 / Statistically significant *(10% level); **(5% level); ***(1% level).

Table 24: Macroeconomic determinants of legal corruption

Dependent variable: Legal Corruption															
Independent Variables	Model B.31	Model B.32	Model B.33	Model B.34	Model B.35	Model B.36	Model B.37	Model B.38	Model B.39	Model B.40	Model B.41	Model B.42	Model B.43	Model B.44	Model B.45
Constant	-0.942* (0.535)	-0.010 (0.162)	0.038 (0.146)	-0.031 (0.153)	-0.915* (0.544)	-0.516 (0.528)	-0.812 (0.517)	-0.025 (0.146)	-0.034 (0.155)	0.009 (0.140)	-0.437 (0.536)	-0.805 (0.526)	-0.416 (0.509)	0.002 (0.141)	-0.370 (0.518)
Taxation	0.021* (0.012)	-	-	-	0.021* (0.012)	0.013 (0.011)	0.018 (0.011)	-	-	-	0.010 (0.012)	0.018 (0.012)	0.010 (0.011)	-	0.008 (0.011)
Government Debt	-	0.105 (0.149)	-	-	0.070 (0.147)	-	-	0.155 (0.135)	0.048 (0.145)	-	0.132 (0.138)	0.024 (0.143)	-	0.103 (0.133)	0.087 (0.135)
GDP per capita	-	-	-0.403*** (0.135)	-	-	-0.356** (0.141)	-	-0.422*** (0.135)	-	-0.374*** (0.129)	-0.379** (0.144)	-	-0.339** (0.136)	-0.388*** (0.131)	-0.355** (0.139)
Unemployment	-	-	-	0.321** (0.141)	-	-	0.287** (0.140)	-	0.312** (0.145)	0.282** (0.129)	-	0.283* (0.144)	0.267** (0.131)	0.261* (0.133)	0.252* (0.134)
R ²	0.084	0.013	0.195	0.123	0.090	0.221	0.180	0.223	0.126	0.289	0.241	0.181	0.304	0.301	0.312
N	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

‘GDP per capita’ fitted well in almost all proposed models. Albeit presenting moderate explanatory power (R^2 ranged from 0.195 to 0.312 in models B.33, B.36, B.38, B.40, B.41, B.43, B.44, and B.45), this variable proved to be statistically relevant. ‘Unemployment’ fitted well too – albeit with lower statistical significance (in most cases at 5% level) –, what leads to the partial conclusion that it might also be relevant to the explanation of the phenomenon. Considering such information, it is prudent to further investigate hypotheses *GDP-H2k* and *Unemployment-H2l* in order to validate and confirm them in a conclusive way. They offered preliminary promising results, but it is necessary to ratify if they remain statistically significant and necessary to the process of determining levels of legality in corruption when combined with the other prominent variables detected in subsections 5.1.1 (‘Internet Usage’) and 5.1.2 (‘Wastefulness of Government Spending’).

5.2. A model to explain legal corruption

After testing rival explanations (subsections 5.1.1, 5.1.2, and 5.1.3), it is possible to affirm that none of them was able to capture the essence of legal corruption on its own. This section demonstrates that these domains must interact in order to better describe the phenomenon. In essence, ‘Internet Usage’ represents the capacity of developing direct transparency and accountability; ‘Wastefulness of Government Spending’ means more public efficiency in direct terms; ‘GDP per capita’ and measures against ‘Unemployment’ symbolize both more social empowerment. Apparently, these elements alone were able to explain certain levels of perceived corrupt legality in advanced democracies and quasi-democracies, but it is necessary to verify if together they produce the same relevant outputs.

Table 25 presents a model that combines these four promising variables and tries to capture a multivariate understanding of how perceptions of legal corruption are produced. Model B.46 shows that ‘Unemployment’ loses its statistical adjustment when combined with the other proposed T&A and E&E factors, namely ‘Internet Usage’ and ‘Wastefulness of Government Spending’. Model B.47 emphasizes that ‘GDP per capita’ may be working as a confounding variable⁵². In fact, ‘GDP per capita’ displays an evidenced reversal of its least-

⁵² As once observed by both Arah (2008) and Knaeble & Dutter (2015), some variables may bias final results even if statistically supported. When evaluated together with other macroeconomic variables, ‘GDP per capita’ presented negative estimates. However, after adding some T&A and E&E variables, ‘GDP per capita’ reversed the direction of its impact on legal corruption, i.e., its estimate became positive. As a way to avoid considering contradictory effects of ‘GDP per capita’ and multicollinearity, this variable was then described as secondary to the process of determining levels of legality in corruption. Else, the evidenced positive results for ‘GDP per capita’ estimates in models B.46 and B.47 ratify what Lambsdorff (2006, p. 24) once wrote about considering ‘GDP per capita’ in corruption research: “a simple regression would not provide a causal link between corruption and GDP, but would report some correlation of unknown origin”.

squares estimate (it assumes a positive value if compared to its estimates presented in Table 24) that may be misinterpreted. Even with a R^2 of 0.596, Model B.47 lacks objectivity, clarity, and precision. Model B.48 offers such precision by avoiding dubious implications caused by ‘GDP per capita’. Presenting robust results (a yet powerful R^2 of 0.549 and p-values with at least 5% level of statistical significance), such model (model B.48) describes in essence what really determines legality in corruption: ‘Internet Usage’ and ‘Wastefulness of Government Spending’.

Table 25: Global Determinants of legal corruption

Dependent variable: Legal Corruption			
Independent Variables	Model B.46	Model B.47	Model B.48
Constant	0.970* (0.542)	1.345*** (0.497)	1.383** (0.517)
Internet Usage	-0.792*** (0.184)	-0.765*** (0.188)	-0.466*** (0.118)
Wastefulness of Government Spending	-0.281*(0.158)	-0.389** (0.146)	-0.398** (0.152)
GDP per capita	0.361** (0.173)	0.355* (0.177)	-
Unemployment	0.168 (0.107)	-	-
R^2	0.622	0.596	0.549
N	39	39	39

Statistically significant *(10% level); **(5% level); ***(1% level). Standard Errors in brackets.

It is crucial to avoid simplistic inferences when observing Table 25, because the impacts of each proposed explanatory variable cannot be interpreted in separate. In other words, perceptions of the usage of necessary legal corrupt behaviors in advanced democracies and emerging industrialized countries may be influenced by any of the selected variables of this subsection, but only a combination of levels of ‘Internet Usage’ and ‘Wastefulness of Government Spending’ can purely and simplistically explain how citizens perceive legality in corruption. As a final act, hypotheses *GDP-H2k* and *Unemployment-H2l* must be rejected definitely, while hypotheses *Internet-H2d* and *Waste-H2g* remain statistically relevant.

5.3. Chapter highlights

This chapter served to establish parameters for the explanation of legal corruption. In this sense, some important findings must be quoted: (i) legal corruption represents a complex interaction of socioeconomic factors; in which (ii) ‘Internet Usage’ and ‘Wastefulness of Government Spending’ play a crucial role. They proved to be not only correlated with the perception of legality in corruption, but also statically determinant for the process of finding effective causal relations.

Table 26 presents all ‘Step 2’ hypotheses and their respective results. Moderate levels of linear correlation were evidenced when considering almost all variables (only ‘Taxation’ and ‘Government Debt’ did not confirm the expected relations proposed in chapter 3, subsection 3.2.2.1.

Table 26: Summing up: hypotheses tested (Step 2)

Hypotheses (Step 2)	Results		
	Is there a latent correlation with legal corruption?	Is such relation able to work as a necessary determinant for legal corruption in a multivariate linear analysis?	Final Result
Transparency and Accountability (T&A)			
Transp-H2a: The higher the level of transparency of government policymaking, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
Audit-H2b: The higher the strength of auditing, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
Press-H2c: The freer the press, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
Internet-H2d: The greater the internet usage, the lower the perception of legal corruption in a country.	Yes Moderate to high negative correlation	Yes	Hypothesis confirmed
Efficiency and Efficacy (E&E)			
RegQuality-H2e: The better the regulatory quality, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
LegFrame-H2f: The higher the efficiency of the legal framework in challenging regulations, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
Waste-H2g: The higher the wastefulness of government spending, the higher the perception of legal corruption in a country.	Yes Moderate to high positive correlation	Yes	Hypothesis confirmed
Burden-H2h: The higher the burden of government regulation, the higher the perception of legal corruption in a country.	Yes Moderate positive correlation	No	Hypothesis rejected
Macroeconomic conditions			
Tax-H2i: The higher the taxation, the higher the perception of legal corruption in a country.	No Low positive correlation <i>(not statistically significant)</i>	No	Hypothesis rejected
Debt-H2j: The bigger the government debt, the higher the perception of legal corruption in a country.	No Low positive correlation <i>(not statistically significant)</i>	No	Hypothesis rejected
GDP-H2k: The higher the GDP per capita, the lower the perception of legal corruption in a country.	Yes Moderate negative correlation	No	Hypothesis rejected
Unemployment-H2l: The higher the unemployment, the higher the perception of legal corruption in a country.	Yes Moderate to low positive correlation	No	Hypothesis rejected

In conclusive terms, developing strategies to enhance ‘Internet Usage’ and reduce the ‘Wastefulness of Government Spending’ makes citizens see less legal corruption in societies. Figure 10 summarizes such causal dependence between these two socioeconomic determinants and the perceived legal corruption in advanced democracies and emerging industrialized countries.

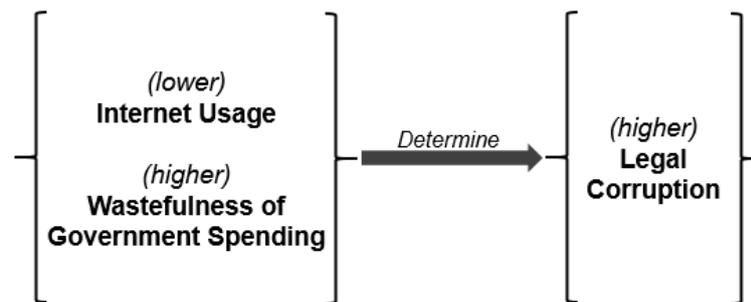


Figure 10: A causal relation between socioeconomic conditions and legal corruption

After all, perceiving legal corruption is not a mere consequence of improving judicial control or the quality of norms, it is a direct consequence of citizens’ acceptance of the necessity of using corruption in public institutions. Higher levels of legal corruption determine higher levels of relevance of corruption in the public arena (see chapter 4) and higher levels of a perceived usage of licit corrupt behaviors are determined by less direct transparency and more public inefficiency. In Dincer & Johnston’s (2015, p. 18) words, “reform cannot simply be a matter of laws, enforcement and punishment, [...] [it] requires an open, credible political process [...]”, i.e., it is impossible to fight against corruption without directing energy in combating a widespread perception of legal corruption in capital-oriented societies.

Chapter 6

Main findings and conclusions

Can legal corruption explain the reason why corruption itself is perceived as an important public problem among countries? The answer is yes. It is possible to affirm that the way in which citizens detect the necessity of using corrupt practices is in fact determined by the perception of the commitment of 'beyond the law' corruptions. Contrary to expectations, illegal corruption proved to be secondary to this process. It does not mean that illegalities are irrelevant to the matter at hand, their effects are just contradicted by ethical and moral standards. Societies have been fighting against a normative-based corruption, while people have been detecting that certain socially accepted behaviors – albeit approved by normative frameworks – are undoubtedly harmful to politics and consequently corrupt.

Such legal corruption was here detected to be not only pervasive – as expected –, but also resilient and adaptable. Even controlling social implications (political stability and educational levels), it remained crucial for understanding the relevance of corruption as a major public problem in advanced democracies and emerging industrialized countries. Political stability and education, as well as illegal corruption, proved to be secondary dimensions of this problematic. In essence, the relevance of corruption must be seen as a phenomenon in which both illegal standards and social implications are just a part of the entire explanation, but they are not the explanation itself.

Furthermore, legal corruption was also observed in detail. It was found that all expected correlations (and their proposed directions) were evidenced (only taxation and sovereign debt produced statistically insignificant results). However, only few variables described real multivariate causal implications, what leads to the conclusion that most correlations are only casuistry. In other words, the majority of the variables presented in chapter 5 were not relevant to describe the perception of legality in corruption reported by citizens in capital-oriented societies. Only 'Internet Usage' and 'Wastefulness of Government Spending'

remained valid after running exhaustive econometric tests (linear regressions) and proved to be sufficient conditions to the process of determining legal corruption. The perception of a ‘beyond the law’ corruption is no more than a reflex of citizens’ capacity of accessing public information directly (here seen as the usage of technologies to enhance transparency and accountability), ratifying the efficiency and efficacy of their political representation (here seen as the process of reducing the wastefulness of government spending), and fighting for political independence (here seen as a combination of the implementation of measures that boost direct transparency and mitigate public waste, i.e., actions that develop citizens’ empowerment and make public policies less market-oriented and more focused on essential social wills). Table 27 summarizes all these findings in one scheme, while Figure 11 shows the proposed causal nexuses in a diagrammatic manner.

Table 27: Main Findings

Questions answered	Main Findings
What determines the relevance of corruption as a major public problem in advanced democracies and emerging industrialized countries?	<ul style="list-style-type: none"> ✓ Illegal Corruption does not determine the relevance of corruption in advanced democracies and emerging industrialized countries ✓ Political Stability and Education are secondary to explain the relevance of corruption in advanced democracies and emerging industrialized countries ✓ Legal corruption is crucial and necessary to explain the relevance of corruption in advanced democracies and emerging industrialized countries
What determines the perception of legality in corruption in advanced democracies and emerging industrialized countries?	<ul style="list-style-type: none"> ✓ Internet Usage and Wastefulness of government spending are the only necessary conditions to determine legal corruption

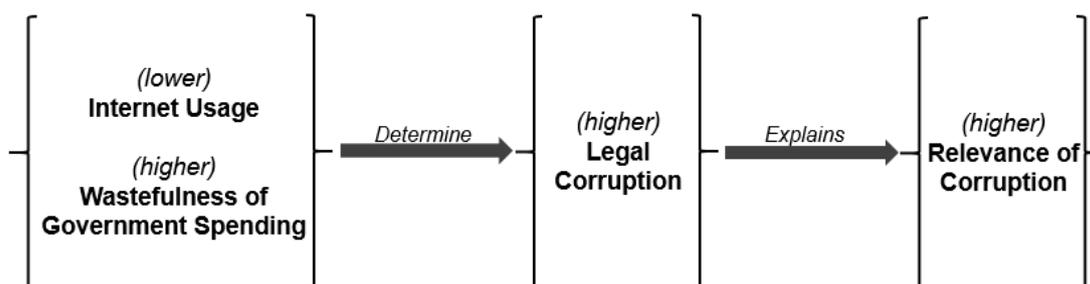


Figure 11: A complete ‘beyond the law’ causal relation

It is possible to conclude that legality in corruption can be unveiled by simply asking citizens if they consider corruption a relevant public problem in the public sector of their respective countries, instead of asking directly about legal dimensions of corruption. Additionally, it is also possible to perceive if corruption is a relevant public problem without directly asking

citizens about corruption, but about general socially accepted misconducts with regards to legal corruption, such as the necessity of establishing personal contacts to get things done; the capacity of distorting rules, norms, and statutes in order to make private interests resemble licit and politically acceptable; and the governments' ability to do what tradespeople want without hindering citizens' wills.

Else, developing public policies, in which technological accessibility and control of government wastes appear, makes governments able to reduce citizens' dissatisfaction with the way politics happens and, consequently, the way they perceive the necessity of using socially accepted corrupt strategies to be accepted in democracies or pseudodemocracies. Of course, policies will not be defined in order to control levels of perceived legality in corruption or evidenced relevance of corruption. However, they may encompass these elements to produce better anti-corruption strategies. The commitment of corruption is in fact a process that needs time to be tackled and certainly its mitigation will only be possible when combined with changes in moral standards. Anyway, changing perceptions of corruption in a slow and constant pace means accepting less corruption in the future. More political access, better political representation, and more governmental independence signify then less necessity to be corrupt or to corrupt the system.

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