International Integration and National Corruption

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Abstract We argue that greater degrees of international integration lead to lower levels of corruption, which we define as the misuse of public office for private gain. We theorize that international factors affect a country's level of corruption through two principal channels. One acts through economic incentives, altering for various actors the costs and benefits of engaging in corrupt acts. The second mode is normative. Prevailing norms in international society delegitimate and stigmatize corruption. Countries that are more integrated into international society are more exposed to economic and normative pressures against corruption. We therefore test the following hypothesis: the more a country is tied into international networks of exchange, communication, and organization, the lower its level of corruption is likely to be. The analysis of data from approximately 150 countries strongly confirms our expectation.

Societies that are open to the rest of the world import not just goods and capital, but also ideas, information, and norms. Such cross-national interactions alter those people who participate in them. Sometimes the changes are subtle, as in the way people dress or the music they listen to. But international transactions can also promote major policy shifts[1] and reshape the domestic economies and politics of countries.[2] In this article, we add to the lines of scholarship that trace the domestic consequences of international integration. We suggest that international interactions can affect norms and practices that would seem, at first glance, to be determined by local social and cultural factors. Levels of corruption, for instance, clearly have powerful domestic determinants. We argue that a country's corruption level is also significantly affected by international influences.

Our thesis is that greater degrees of international integration lead to lower levels of corruption, which we define as the misuse of public office for private gain.

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1. See Haas 1989; Haas 1992; Finnemore 1993; and Keck and Sikkink 1998.
2. See Gourevitch 1978; Rogowski 1989; Murphy 1994; and Keohane and Milner 1996.

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We theorize that international factors affect a country's level of corruption through two principal channels. One mode consists of economic incentives, altering for various actors the costs and benefits of engaging in corrupt acts. The second mode works through social integration and the transmission of values and norms. Norms in international society delegitimate and stigmatize corruption. Countries that are more integrated into international society are more exposed to economic and normative pressures against corruption. We therefore test the following hypothesis:

The more a country is tied into international networks of exchange, communication, and organization, the lower its level of corruption is likely to be. The analysis of data from approximately 150 countries strongly confirms our expectation.

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

The first two sections of the article lay out broad theoretical arguments. The third section offers our argument as to how international factors might affect corruption levels. The fourth section describes the international anticorruption movement. The fifth section briefly summarizes the findings of previous research on the determinants of corruption. The sixth section discusses data and methods, and the seventh section reports on the data analysis, in which we test our hypotheses. A conclusion draws out key implications.

Norms, Utility, and Choice

Actors are motivated both by the desire to enhance their well-being and by the desire to act in appropriate, or justifiable, ways. The quest to be better off involves the familiar form of economic rationality, in which actors calculate the expected payoffs of various options and choose the course of action that will produce the greatest benefits, as actors define them. The desire to behave in justifiable ways calls on a different form of rationality, one attuned to social norms. In normative rationality, actors endeavor to determine the appropriate behavior given the situation, their role, and the relevant rules.[3] We see the two modes of rationality not as

3. March and Olsen 1989.

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mutually exclusive but rather as complementary. Our premise is that people constantly and routinely reason about utility and norms, and that both kinds of considerations affect their choices. Even seemingly straightforward decisions regarding economic well-being can have normative dimensions. Many consumers are willing to pay more for "environmentally friendly" cars or refrigerators, because they adhere to norms of ecological responsibility. Actors may even develop complex ways of balancing norms and utility, such that one need not prevail at the expense of the other. In any case, we assume that actors are both "utility-rational" and "norm-rational."[4]

Although a great deal of recent research seems to insist on either a utility-based perspective or a normative (or constructivist) one, some scholars have sought to incorporate both sets of motivations into their analyses. With respect to corruption, Susan Rose-Ackerman, the author of the first comprehensive statement of the political-economy (utility-based) approach, usefully points out that social scientific studies of corruption must take into account the normative dimension. Though her work focuses on the structure of material incentives, she notes that the "economic approach to politics . . . cannot explain the origination and transmission of the democratic and personal ideals required to preserve a functioning mixed economy."[5] Sandholtz and Koetzle argue that both material incentives and cultural norms enter into choices about corrupt acts.[6] Abbot and Snidal emphasize the "deeply intertwined interaction of values and interests," and argue that "the seemingly competing logics of consequences and appropriateness are in fact necessary complements."[7] They go on to show how "interest actors" (driven primarily by utility calculations) and "value actors" (motivated by normative commitments) played crucial roles at various stages in the development of the 1997 Organization for Economic Cooperation and Development (OECD) antibribery convention. In this article, we seek to observe the effects on corruption of both economic (utility) and social (normative) factors.

Domestic Effects of International Integration

Scholars have identified multiple channels and mechanisms whereby international factors produce domestic effects. Among these are: international economic crises;[8] the openness of international markets;[9] shifts in relative prices in inter-

4. The interaction between utility-based and norm-based modes of reasoning seems poorly understood, but a useful theoretical treatment of it would take us far beyond the scope of this article.
5. Rose-Ackerman 1978, 5, 6.
6. Sandholtz and Koetzle 2000.
7. Abbot and Snidal 2001, 2, 3.
8. Gourevitch 1986.
9. Rogowski 1989.

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national markets;[10] transnational epistemic communities;[11] transnational networks of activists and advocacy groups;[12] and international and supranational organizations.[13]

Economic modes of international influence on domestic outcomes are those that operate through changes in relative prices; rational actors seeking to maximize their material well-being make choices on the basis of changing balances of costs and benefits. Some international transactions increase the costs of corrupt acts or decrease their payoffs. Normative modes operate differently, through social standards of appropriateness and fit. International normative factors are those that establish standards of conduct, in this case, that delegitimate and stigmatize corrupt practices. International norms condemn corruption not just by pointing out its costs but by establishing that it is wrong.

International norms are an intrinsic part of international society. We define international society as a social system consisting of people and groups who interact across or outside of state borders, plus the rules that constitute their relationships and govern their interactions. Whereas Hedley Bull regarded states as the primary and essential units of international society, we take a more encompassing view. The participants in international society thus include governments (predominantly national but also those of subnational units for some purposes); international governmental organizations (global and regional);[14] international nongovernmental organizations and networks;[15] domestic groups and organizations (including business firms); and individuals who migrate, travel, or communicate across borders.

Just as every society is defined in part by its membership, it is also defined by its rules.[16] As with all social systems, international society is fundamentally and pervasively rule-structured. Rules (or norms) are statements that identify standards of conduct.[17] Rules perform both constitutive and regulative functions, defining various roles and delineating parameters of acceptable conduct for the inhabitants of those roles. Rules are indispensable for human interaction at any level. As Nicholas Onuf puts it, "People need rules for all but their most transient exchanges. When they confront the necessity of dealing with each other without knowing if they follow the same rules, they learn what they commonly know and make what other rules they need."[18] When actors come from diverse societies and national legal systems, the need for finding or creating common rules is even more urgent.

10. Frieden and Rogowski 1996.
11. Haas 1989 and 1992.
12. See Risse-Kappen 1995; Keck and Sikkink 1998; and Brysk 2000.
13. See Murphy 1994; Finnemore 1996; and Stone Sweet and Sandholtz 1998.
14. See Onuf 1994; and Finnemore 1996.
15. See Lipschutz 1992; Wapner 1996; Keck and Sikkink 1998; and Brysk 2000.
16. Bull 1995, 13.
17. See Williams 1968, 204; Cancian 1975, 1; Klotz 1995, 14; Katzenstein 1996, 5; and Finnemore and Sikkink 1998, 891. We use the words "norm" and "rule" interchangeably, as is standard practice in legal writing and common in sociology. Both are statements that identify standards of conduct.
18. Onuf 1996, 9; see also Kratochwil n.d.

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Recent years have witnessed an upsurge in research on international norms. Most of this work has focused on demonstrating that norms "matter" (meaning that norms exercise independent causal force) or on tracing the emergence of specific international rules.[19] We draw on a less-developed subset of this literature to develop a theory that would allow us to explain variation in the effects of norms across countries. We argue that international norms have a variable effect on national (domestic) norms, depending on the extent to which countries are integrated into international society. Countries with more cross-border interconnections—economic, social, and political—are likely to be more socialized into international norms. To the extent that there exist international norms against corruption, countries that are more integrated internationally are likely to be less corrupt.[20]

International Determinants of Corruption

Corruption is the misuse of public office for private gain. This definition has become standard in recent cross-national empirical studies of corruption;[21] the definition also coincides with the one used in compiling the corruption scores that we use in the data analysis. Defining corruption in this way also connects current work to a longer research tradition, which has frequently employed Nye's definition of corruption as "behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains."[22]

The central proposition to be tested in this article is that international integration of various forms tends to lead to lower levels of corruption within countries. In this section, we lay out our theoretical arguments linking two kinds of international interactions—economic and sociocultural—to domestic corruption levels.

Cross-national economic ties can constrain corruption by increasing its costs. Thus existing research finds a significant inverse relationship between international trade and corruption levels.[23] Corrupt practices can perpetuate themselves more easily in closed economies, which by definition are cut off from the competitive pressures that openness brings. If we think of bribes, kickbacks, extortion payments, and speed money as a sort of (illegitimate) tax, then that tax adds to the costs of local producers who have to pay it. Under conditions of international eco-

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

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

21. See Ades and Di Tella 1999; Sandholtz and Koetzle 2000; Treisman 2000; and Kunicova 2001.

22. Nye 1989, 966.

23. See Ades and Di Tella 1999; Sandholtz and Koetzle 2000; and Treisman 2000.

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nomic competition, companies so taxed will experience returns lower than those prevailing elsewhere, resulting in lower profits and possibly extinction. Domestic firms seeking foreign capital may not be able to secure it, or they will have to pay, at least, a premium for foreign capital. Finally, corrupt officials would also feel the pinch of international openness. Because bribe-paying companies suffer under international competition, they will have less money to offer, and bureaucrats will find that their corruption-related income declines. Greater exposure to international trade thus penalizes corruption.[24]

It may also be possible that causation runs in the opposite direction, that high levels of corruption reduce trade. Foreign firms may avoid doing business in countries where bribery and kickbacks are commonplace. The problem is that corruption could hardly be among the most influential determinants of a country's involvement in trade. Corruption may hinder some potential trade relationships at the margin, but a country's overall level of trade is more powerfully determined by its trade policies, including tariffs, quotas, foreign exchange restrictions, and the like. This argument is consistent with the relevant economics literature. For instance, from their empirical analysis Ades and Di Tella conclude that "competition from foreign firms reduces the rents enjoyed by domestic firms, and this reduces the reward from corruption." They point out that this result is consistent with Krueger's fundamental argument that corruption is related to "the rents generated by the restrictiveness of the trade regime."[25]

Furthermore, Ades and Di Tella test for the possibility of simultaneity (that corruption reduces trade) by means of a two-stage least squares regression, with instruments for the ratio of imports to gross domestic product (GDP). Ades and Di Tella find that trade exposure is significantly related to lower levels of corruption, controlling for fixed-effects variables. The results are consistent even across different measures of the dependent variable (corruption), one from the 1980s and one from the 1990s.[26] We accept these results as establishing that trade openness is causally related to lower corruption.

We therefore expect international economic integration to have a negative effect on corruption levels. Our empirical analysis includes a set of variables measuring economic integration—trade, foreign direct investment, air passengers, air freight, and telecommunications traffic—clustered together via factor analysis.

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

In addition to the purely economic, or utility-based, dimension of international integration, there is a social or cultural dimension. In fact, economic relationships

24. It bears keeping in mind that this is not an argument that open economies are immune to corruption. Nor does a case such as Italy (open economy, high corruption) refute the general point. International economic interactions are only one determinant of corruption; the influence of economic openness can be more than offset by other factors.

25. Ades and Di Tella 1999; see Krueger 1974.

26. Ades and Di Tella 1999, 987–91.

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themselves include a social aspect. The interactions associated with trade and cross-border investment may also be mechanisms for the communication of ideas, values, and norms. Of course, it is probably impossible to observe this social dimension of economic interaction. There may, however, be other, more directly observable modes of international social or cultural exchange. One locus for such exchange is international organizations (IOs). Most IOs have as one major purpose the diffusion of common ideals and rules. We hypothesize that IOs are a forum for the diffusion of anticorruption values and norms. The more integrated a country is in networks of IOs, the more likely it is to have been the recipient of anticorruption socialization.

Anticorruption norms could be transmitted through IOs in two ways. First, to the extent that the major IOs are dominated by the wealthy countries of the industrialized North, the norms and values of the richer countries will predominate in those organizations. All of the wealthy countries have had in place anticorruption laws of various kinds for decades.[27] IOs are forums in which those norms can be communicated and diffused. Second, a number of IOs have in the past decade adopted explicit anticorruption norms. In fact, the forms of corruption at issue in this article became the subject of a broad, highly publicized, transnational anticorruption campaign beginning in the mid-1990s. Our intent is not to demonstrate how specific organizations "taught" specific norms to specific countries; our quantitative approach would not permit the detailed, process-tracing case studies that such an approach would require. Rather, we test the more general proposition that *the more a country is involved in international organizations, the more likely its elites are to have absorbed some of the anticorruption norms, and the lower the level of corruption should be.*

Reverse causation, in this instance, is not a possibility. That is, corruption is not a determinant of membership in IOs. No IO used in our sample required low corruption levels as a condition of joining. No country that we are aware of has ever been denied membership in an IO because it was too corrupt. If there is a significant correlation between IO membership and corruption levels, then it is evidence of the causal relation we have posited.

We can also control for another possible interpretation. Countries involved in IOs might reduce their corruption levels not because of the transmission of norms and values, but to qualify for economic and financial payoffs. That is, International Monetary Fund (IMF) and World Bank loans might offer material incentives for countries to limit corruption. We control for this possibility by including in the regression variables that measure the scale of financial benefits countries receive from the IMF and the World Bank. If the IO MEMBERSHIPS variable is significant while controlling for financial benefits received, we can then interpret that

27. The existence of norms against corruption in the industrialized countries is not negated by the occurrence of corruption in those countries, just as the fact that murders occur in no way negates the existence of laws against murder. Corruption is present in every society, to a greater or lesser degree. It may not be true that "rules are meant to be broken," but it is certainly the case that all rules are sometimes violated. That does not mean they do not exist.

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as support for our hypothesis that social or cultural influences are at work through IOs.[28]

Finally, cultural areas may provide another means for the transmission of norms and values related to corruption. The idea is not that countries that share cultural similarities all have the same values. Rather, we argue that certain norms and practices might more easily be communicated between countries that share at least some cultural similarities, or elements of a common cultural language. We address this possibility by focusing on a country's neighbors. Contiguous countries are not always culturally similar, of course, but shared borders (or in the case of island states, proximity) are a reasonable proxy for cultural regions. In addition, people are more likely to travel to, or meet people from, neighboring countries, which provides mechanisms for the communication of ideas and norms. We will thus assess the extent to which a country's corruption level is positively related to the levels of corruption in its neighbors.

The International Anticorruption Movement

The international anticorruption campaign is a relatively recent development. In the following section, we summarize its major features. Mlada Bukovansky calls the campaign a regime, though she also notes that "it is too early to address the question of regime effectiveness."[29] We report on the transnational activities as evidence not of a regime with effective enforcement powers, but rather as evidence of the existence of international norms.

28. Of course, IMF and World Bank loans do not constitute the only economic benefits that states derive from membership in international organizations. Countries receive massive gains from trade through their membership in, for example, the EU and the World Trade Organization (WTO). The economic payoffs from participation in the EU and the WTO, however, would not be suitable as control variables in our analysis. The regression needs to control for financial gains that flow directly from, and are under the control of, IOs. In such circumstances, those IOs can use their financial resources as anticorruption incentives (which IOs, such as the World Bank, do in fact use, as we describe below). We want to control for that effect to determine if there is also a social or normative aspect of membership in IO networks that might work against corruption.

For trade benefits to be useable as anticorruption leverage, there would have to be a connection between corruption levels and access to free trade. That is, the EU and the WTO would have to be able to deny free trade benefits to countries that did not meet certain corruption criteria. There are two ways that could happen. First, the EU and the WTO could deny membership to highly corrupt countries, thereby depriving them of the benefits of free trade. As we show below, neither organization has in place corruption criteria for membership (the EU includes corruption in its assessments of the recent applicant countries, but only in a minor way and not as a determinative factor; see Appendix 2). Second, the EU and the WTO could authorize trade sanctions against highly corrupt countries. So far, at least, neither organization has such provisions in place or even seriously considered them. There is thus no way for the EU or the WTO to use access to free trade as an anticorruption tool, and therefore gains from free trade would not be suitable as control variables in the analysis.

29. Bukovansky 1999, 2.

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International Organizations

The United States provided the impetus for enunciating clear norms against corruption in IOs. The 1977 Foreign Corrupt Practices Act (FCPA) prohibited U.S. companies from offering bribes to foreign officials. The FCPA also had some transnational reach, as the U.S. Securities and Exchange Commission (SEC) could prosecute foreign firms for violating its provisions, if their stock traded on U.S. exchanges.[30] From the beginning, U.S. firms complained that they were disadvantaged by the rule when competing against non-U.S. corporations that were not subject to similar laws.[31] U.S. officials thus began in the mid-1970s to propose international rules against corruption, but initiatives in the United Nations (UN) and the OECD produced no concrete results.[32] It was not until the mid-1990s that IOs began to adopt anticorruption standards.

Renewed U.S. activism led to the OECD's "Recommendation on Bribery in International Transactions" (1994), a nonbinding call for FCPA-style prohibitions against bribing foreign officials, and to the creation of an OECD Working Group on Bribery. In the summer of 1996, formal negotiations began on a binding Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; the Convention was signed by thirty-four states (the OECD members plus Argentina, Brazil, Bulgaria, Chile, and the Slovak Republic) in December 1997 and came into force in February 1999. In addition, a 1996 OECD Recommendation urged member-states to abolish tax deductions for foreign bribes; since then, all OECD members have either done so or moved in that direction. The OECD's Development Assistance Committee (DAC) has agreed that all bilateral, aid-funded procurement contracts will include anticorruption provisions. Finally, the OECD has entered into anticorruption collaborations with the European Union (EU), U.S. Agency for International Development (USAID), the UN Development Program (UNDP), and the Asian Development Bank.[33]

Though the OECD was the initial forum for the transnational anticorruption campaign, the World Bank has become the most important IO "teacher of norms." The World Bank for most of its existence refrained from any serious targeting of corruption in the states it dealt with because its charter barred it from "political" activities, and perhaps also because Bank officials feared a rich-world backlash against its funding if widespread corruption were revealed in its projects.[34] Three factors produced the Bank's change of policy in the mid-1990s. First, the major industrialized states became more actively engaged against corruption. Second, a growing literature about the purely economic costs of corruption allowed the Bank to cast anticorruption programs as development priorities rather than political cru-

30. Bencivenga 1997, 5.
31. See Glynn, Kobrin, et al. 1997, 18; and George, Lacey, and Birmele 1999.
32. Pieth 1997, 122.
33. See George, Lacey, and Birmele 1999; and Johnston 1999.
34. See Rose-Ackerman 1997; and Tamesis 1997.

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sades.[35] Third, World Bank President James Wolfensohn took up the anticorruption cause upon his appointment in 1995.[36] In 1996, the Bank revised its general guidelines to state clearly that corruption was grounds for canceling a contract. It also invited Transparency International (TI), the nongovernmental organization (NGO) that was founded by World Bank officials (see below), to help develop its anticorruption strategy. Together they produced a comprehensive program, which took effect in 1997, of strong controls to prevent bribery in Bank-financed projects and to help governments to promote reforms.[37] Anticorruption policies have become a central part of the Bank's lending conditionality.[38]

In addition, since 1995 the Bank has sponsored an array of anticorruption programs, currently housed in the World Bank Institute (WBI)[39] and generally run in collaboration with TI. These programs, which were active in fifteen countries by 1999, establish a "National Integrity Steering Committee" (NISC) to bring together "stakeholders" in reforms (government, judiciary, NGOs, business) and often create an administrative "National Integrity Unit" to support this committee. These bodies, along with the WBI, then survey business and consumers to diagnose where corruption is taking place; help governments develop clearer and safer tax, customs, and procurement codes; and run workshops to train officials and citizens to see and prevent corruption. A major focus of the latter is programs to train journalists to use investigative journalism against corruption. The first such programs, in Uganda and Tanzania in 1995, were attended by 70 percent of print journalists and editors in these countries.[40] The WBI has also mounted a series of regional conferences on "good governance" around the world. The World Bank's explicit policy is to build transnational coalitions—"an interactive partnership with government and civil society"—to fight corruption.[41]

The IMF has followed the World Bank's lead on corruption, and sought to exert leverage through loan conditionality. The IMF first focused publicly on corruption in fall 1996, within its September declaration on "Partnership for Sustainable Growth" and a joint statement by IMF head Michel Camdessus and World Bank president Wolfensohn at the combined IMF-World Bank meetings.[42] At the same time, it adopted stringent guidelines for public sector transparency and accounting as part of its standard conditionality.[43] In 1997, the IMF announced its new set of policies against corruption.[44]

35. See Theobald 1990; Mauro 1995; Bardhan 1997; Jain 1998; and Tanzi 1998.
36. Brademas and Heimann 1998.
37. See Rose-Ackerman 1997; and Brademas and Heimann 1998.
38. Pieth 1997, 127.
39. The WBI includes what were formerly known as the World Bank Economic Development Institute and the World Bank Learning and Leadership Center. These two entities were merged in 1999, and the new body was renamed the World Bank Institute in 2000.
40. See Rose-Ackerman 1997; Langseth 1998; and Rose-Ackerman 1999.
41. Langseth 1998.
42. Elliot 1997, 212.
43. George, Lacey, and Birmele 1999.
44. International Monetary Fund 1997.

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The UN General Assembly has taken at least a rhetorical stand against corruption in recent years. In 1996, the U.S. delegation proposed a UN declaration calling for international transparency in accounting standards, elimination of bribe tax deductibility, and international cooperation in corruption investigations; a broad version of this appeared in a UN Declaration in December 1996, and in a resolution passed in July 1997.[45] The UNDP, however, has been more active on the corruption front. It created a new Management Development and Governance Division (MGDG) in 1995. MGDG focuses its efforts on national Programs for Accountability and Transparency (PACTs), which are similar to the "Integrity Systems" encouraged by the World Bank.[46] The UNDP has also convened regional meetings and workshops and published papers on corruption.

The World Trade Organization (WTO), at U.S. insistence, included in the Uruguay Round a Government Procurement Agreement (GPA) on transparency, openness, and due process in procurement, but it was a voluntary addendum to the overall agreement, and has only been signed by about forty members.[47] U.S. efforts to make the agreement obligatory have led to the creation of a Working Group on Transparency in Government Procurement in 1996.[48] Finally, the largely technical World Customs Organization (WCO) has added its small voice to the chorus. In 1993, its 150 members agreed on a code of integrity listing vague steps to prevent corruption in its "Arusha Declaration." The WCO has since specified detailed Customs Reform and Modernization plans to serve as models for country policies, and it offers to send international customs experts to help countries adopt them.[49]

Regional IOs have also taken up the anticorruption theme. Though the OECD was the first IO to place corruption on its agenda, the first binding international agreement emerged from the Organization of American States (OAS). At the March 1994 OAS summit, the United States made antibribery cooperation a high priority. Ecuador and Venezuela joined with the United States in advocating an international agreement.[50] The result was the "Inter-American Convention Against Corruption," signed in 1996, which requires signatories to adopt legislation "roughly equivalent" to the U.S. FCPA.[51] The Convention also provides procedures for cooperation in extradition, seizure of assets, international legal and technical assistance, and increased transparency in government procurement.[52]

The Council of Europe joined the emerging movement against corruption in 1994, setting up a Multidisciplinary Group on Corruption (known as the GMC)

45. See Cockcroft 1998; and George, Lacey, and Birmele 1999.
46. Tamesis 1997.
47. An initial Agreement on Government Procurement was negotiated as part of the Tokyo Round and came into effect in January 1981 with twenty-five members. The current agreement was negotiated during the Uruguay Round and came into effect in January 1996.
48. See Leiken 1996; and Cockcroft 1998.
49. Shaver 1997.
50. Elliot 1997, 217.
51. George, Lacey, and Birmele 1999.
52. Eizenstat 1998.

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after its meeting in Malta in June 1994. This group includes state experts plus representatives from various international and regional organizations and NGOs. The Council also provides technical assistance to Eastern European countries on corruption issues and legal reform, working with the World Bank programs. Most recently, the Council produced a Civil Law Convention on Corruption that criminalizes all forms of bribery and creates a monitoring group among the signatories called the Group of States Against Corruption (or GRECO). The Convention was opened for signature in January 1999, and twenty-seven countries had signed as of late 1999.[53]

The EU has been a follower in the anticorruption movement. In December 1994, soon after the first OECD Recommendation, the EU Council of Ministers adopted a resolution criminalizing bribery. In July 1995 the ministers adopted a Convention on the Protection of the European Communities' Financial Interests, a Protocol that required member-states to punish bribery that related to EC affairs—but only EC affairs. In 1996, the Italians introduced a draft convention to make this prohibition general to all affairs within the member-states or the EU. This was adopted in May 1997, along with a comprehensive Union Policy Against Corruption that criminalizes all bribery (even outside the EU, as the FCPA does) and calls for anticorruption programs with all the countries that have cooperation or assistance agreements with the EU.[54]

Finally, the regional development banks have adopted policies similar to those of the World Bank.[55] The Organization for Security and Cooperation in Europe (OSCE) has begun discussions to consider what steps it can take to fight corruption, and the Asia-Pacific Economic Cooperation (APEC) forum has begun to discuss nonbinding principles on government procurement.

International Nongovernmental Organizations

At the center of international anticorruption activities since their emergence in the early 1990s has been TI, an NGO. A group of World Bank officials left the Bank in 1993 and founded TI, with headquarters in Berlin. Initial funding came from USAID. TI's primary purpose is "to build broad coalitions against corruption."[56] The group has pursued this goal by establishing links among IOs, national governments, NGOs, and companies, and by mobilizing domestic actors to fight corruption through TI national chapters (of which over seventy now exist). The "National Integrity Systems" promoted by the World Bank embody the TI approach. Another of their ideas has been to create "Islands of Integrity," where com-

53. Council of Europe 1999.
54. For a brief discussion of how corruption in the applicant countries figures in the current enlargement negotiations, see Appendix 2.
55. Brademas and Heimann 1998.
56. Eigen 1996.

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peting firms in a specific market enter into an Anti-Bribery Pact.[57] In 1995, TI began publishing the Corruption Perceptions Index, in part to bring attention to corruption problems and prod governments to enact reforms.

TI has participated in virtually all of the anticorruption programs developed by IOs. For instance, the Vice President of Ecuador, Alberto Dahik, who strongly supported U.S. proposals for an anticorruption convention, was then chairman of the Advisory Council of TI. More significantly, TI helped to draft the World Bank's corruption plan in 1996–97 and assisted in developing the OECD Convention and UNDP programs. Its Brussels representative sent several memos to the EU in 1995 and 1996, successfully urging further development of the EU's anticorruption provisions.[58] Some of its national chapters have been very active, in India, Panama, and Bulgaria, for instance.[59]

The International Chamber of Commerce (ICC) has also participated in many of these international projects, though generally in an advisory role rather than a leading one. In 1994, in response to the wave of bribery scandals in Germany, Japan, France, and Italy, the ICC created a committee to make new recommendations on bribery.[60] These appeared in 1996 as the first major revision of its original guidelines for business conduct and were modeled on the FCPA.[61] The ICC was also closely involved in the negotiation of the OECD Convention in 1997.[62] A similar group, the World Economic Forum (the largest international group of chief executive officers), called for cooperative action against corruption at its meeting in 1995, and established a Davos Group on the subject. The International Bar Association adopted a resolution favoring FCPA-style rules in June 1996, and has offered legal advice to aid reform in transitional and developing economies.[63] The International Federation of Accountants has published discussion papers calling for cooperation to make accounting rules more transparent.[64]

In sum, beginning in the mid-1990s, a transnational anticorruption campaign emerged and gathered momentum. It linked the efforts of transnational activist groups, IOs, national governments, and domestic actors. For example, representatives of the EU, the OAS, the World Bank, and the Council of Europe regularly attend meetings of the OECD Working Group on Bribery as observers.[65] Essentially all of the conferences and workshops on corruption are sponsored by and bring together officials of most of the major IOs, with the leading NGO, TI, knitting them together through its ubiquitous involvement. The various members of this transnational network come together every other year in the International Anti-

57. Ibid.
58. Frisch 1999.
59. Coté-Freeman 1999.
60. Heimann 1997.
61. George, Lacey, and Birmele 1999.
62. Johnston 1999.
63. Glynn, Kobrin, et al. 1997, 16.
64. Harding 1999.
65. Pieth 1997.

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Corruption Conference (IACC), which established an IACC Council in 1996. Since then, TI has served as the Secretariat to the IACC Council and has thus played a central role in organizing the most recent conferences: the eighth in Lima, Peru, in 1997; the ninth in Durban, South Africa, in 1999; the tenth in Prague, Czech Republic, in 2001; and the eleventh in Seoul, South Korea, in 2003.[66]

The result of the activities of these IOs and NGOs has been the creation of a rudimentary international anticorruption regime, embodied in international agreements (such as the OAS and OECD conventions) and in the operating policies and practices of IOs such as the World Bank and the IMF. We present this overview of the regime not to argue that it is enforcing anticorruption rules, but rather to demonstrate the existence of international anticorruption norms and their increasing prominence in a variety of IOs. The norms, in fact, predate the international conventions and campaigns, which represent an effort to publicize, diffuse, and strengthen the norms.

Other Determinants of Corruption

Our goal in this article is to test the proposition that different forms of international integration have measurable effects on countries' levels of corruption. Of course, the international factors we have discussed are not the only determinants of corruption. In this section we briefly review additional causes of corruption, which we will include in our regression as control variables. Average income has a clear inverse relationship with corruption levels.[67] Treisman, recognizing that the causation can flow in both directions (corruption retards economic development), deployed a proxy for development level (distance from the equator) and found that it, too, was inversely related to corruption. This strongly suggests that the causal relationship linking low average incomes to higher levels of corruption is genuine.[68]

A second argument is that state control of economic resources creates opportunities for engaging in corrupt behaviors. Bribes and kickbacks, for example, become means of influencing the allocation of assets and wealth. As Scott puts it, "the larger is the relative size and scope of the public sector, the greater will be the proportion of certain acts that will meet our criteria of corruption."[69]

Democratic institutions, including free elections, political competition, and freedoms of speech and the press, have also been found to act as constraints on cor-

66. The IACC Website includes information about the organization of the conferences, as well as the papers presented and the resulting communiques. The site is located at: ⟨http://www.transparency.org/iacc⟩. Accessed 3 July 2003.

67. See Ades and Di Tella 1999; Lipset and Lenz 1999; Sandholtz and Koetzle 2000; and Treisman 2000.

68. Treisman 2000. For a theoretical argument as to why this is the case, see Sandholtz and Koetzle 2000, 36–7.

69. Scott 1972; see also Tanzi 1998.

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rupt behavior. Simply put, basic freedoms and electoral competition make it more likely that corrupt acts will be discovered, publicized, and sanctioned. The more extensive are democratic freedoms and the more effective are democratic institutions, the greater will be the deterrent to corruption. Furthermore, the longer a country has enjoyed democratic governance, the more entrenched democratic norms will be and the more effective democratic institutions.[70]

Some studies have shown that the higher the percentage of a country's population with protestant affiliation, the lower its level of corruption tends to be.[71] By the same logic, other religious traditions might also affect corruption levels. In some studies, British heritage appears to be related to lower corruption. Treisman, for example, finds that former British colonies tend to be less corrupt, possibly because the experience of British rule imprinted in these societies respect for the rule of law and procedural propriety.[72]

Data and Methodology

The TI Corruption Perceptions Index (CPI) has become a widely-used measure of corruption for purposes of quantitative social science research. It is an aggregated, standardized "poll of polls" of experts, international business people, and citizens of each country covered. Every score thus captures the perceptions of both foreigners and nationals of the country being assessed. TI defines corruption as we do: "the misuse of public power for private benefit." The index assigns a score, ranging from 0 (most corrupt) to 10 (least corrupt), to each country in each year. We have reversed the index so that higher scores represent more corruption, not less. Appendix 1 contains a more detailed explanation of TI's methods, as well as the country scores themselves.

The CPI is, of course, based on subjective perceptions. The ideal might be a direct measure of corruption, but such an indicator is out of reach. By their very nature, corrupt acts are intended to be secretive—making objective observations and measurements impossible. One possibility for building an objective indicator might involve the coding of newspaper reports of corruption. However, the quality of press coverage depends not only on the effectiveness of the legal system in exposing corrupt acts, but also on the freedom of the press to report on official corruption. Both are significant hurdles for many of the nations studied here.

Though the TI corruption data now span several years, the CPI does not yet lend itself to a time-series estimation that would allow one to answer more adeptly

70. See Sandholtz and Koetzle 2000; and Treisman 2000.
71. See Lipset and Lenz 2000; Sandholtz and Koetzle 2000; and Treisman 2000.
72. Treisman 2000. Sandholtz and Koetzle 2000, however, find no significant relationship.

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some questions of causation.[73] As the index designers explain, "The CPI incorporates as many reliable and up-to-date sources as possible. One of the drawbacks to this approach is that year-to-year comparisons of a country's score do not only result from a changing perception of a country's performance but also from a changing sample and methodology."[74] However, index designers also note that "in practice, the sources continue to show a high degree of correlation. So, the impact of differing samples and methodologies on the outcome appears to be rather small."[75] Time-series analysis may be feasible with the corruption data, if the index is extended consistently during the next five to ten years.

In addition to the reservations noted above, the CPI has not been calculated for every year for every country. Some countries are added in one year and dropped in another, depending on the availability of survey data. To maximize the use of information contained in the various TI surveys, we aggregated the data for a four-year period, 1999–2002. We took the average CPI score for each country that had been included in any of the TI surveys during that four-year span. We were, therefore, able to maximize the country coverage of the TI scores, although the number of years included in a country's average varies somewhat.

To test the robustness of our model, we replicated it using a different specification of the dependent variable (corruption). As Knack and Azfar argue, TI's methodology for including or excluding a country from the CPI corruption index in any year has been biased toward larger and/or more developed countries.[76] Though almost all "large" population countries are included in the CPI—as well as small highly developed countries—small countries with developing economies are often left out because of a lack of data.[77] These are most often countries with higher levels of corruption and also higher levels of trade as a share of GDP than larger developing nations. The absence of smaller, more corrupt countries in the sample could distort the results of regressions employing the TI CPI indicator.[78]

An alternative corruption indicator is that developed by Knack and Azfar, which they constructed with data from Kaufmann, Kraay, and Zoido-Lobatón and the World Bank.[79] This data set relaxes TI's requirement for three data sources for each country. (See Appendix 1 for a description of the data and methodology). The new measure (which we label Graft-CPIA, following its originators) thus includes standardized corruption scores for a much larger set of countries (153) than

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

74. Transparency International 1998.

75. Ibid.

76. Knack and Azfar 2001. TI requires a minimum of three separate corruption indicators for each nation for it to be included.

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

78. Knack 2001.

79. See Knack and Azfar 2001; and Kaufmann, Kraay, and Zoido-Lobatón 1999.

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the CPI covers. This new corruption indicator is highly correlated with the CPI and is in many ways an extension of it.

The advantage of using this larger data set is that it can provide a test for the possibility that sample selection bias could be providing misleading results. The disadvantage, however, is that the corruption scores for the countries added to this larger data set are based on fewer root data sources and thus in some cases have higher standard errors.[80] We accepted this tradeoff to test the robustness of our CPI model.

To maintain consistency with the dependent variable we also averaged our independent variables over a nonoverlapping four-year period (1995–98). The nonoverlapping four-year averages maximize the use of available information, smooth out year-to-year fluctuations, and minimize any possible risk of endogeneity. More specifically, though some feedback relationships are possible (between corruption and some of the independent variables), it is certainly the case that corruption levels averaged for 1999–2002 could not affect the independent variables averaged for 1995–98.

We gathered a variety of indicators for the variables relating to our central hypothesis, which links international integration to corruption levels. We sought indicators for both international economic interconnectedness and international social integration. Measures of economic integration include trade and investment as well as related transport and communications:

- Trade openness (total trade/GDP).
- Gross foreign direct investment per capita.
- International air freight per capita.
- International air passengers per capita.
- International telephone minutes per capita.

To measure a country's degree of international social integration, we focused (as discussed earlier) on memberships in IOs, which are forums for the diffusion of ideas, values, and norms. This set of indicators includes:

- The total number of memberships in IOs.
- Years of membership in the IMF.
- Years of membership in the UN.
- Years of membership in the General Agreement on Trade and Tariffs (GATT) and the WTO.

In every quantitative study of corruption, the level of development emerges as an important explanatory factor. We therefore included (the natural logarithm of)

80. Knack and Azfar 2001.

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per capita GDP. In addition, we follow the lead of Ades and Di Tella by including a second measure of development, namely, literacy rates (Ades and Di Tella used average educational levels).[81]

This set of variables provided diverse measures of the movement of people, capital, goods, and communication across international borders. However, bivariate correlations revealed significant correlations among some of these independent variables. We therefore employed factor analysis, which served two important purposes: (1) to deal with the potential collinearity problems, and (2) to test our proposition that there were in fact distinguishable clusters of causal variables. That is, we sought to verify that development level, international economic integration, and IO membership were orthogonal to each other. We included in the factor analysis the measures of international economic integration, the indicators of participation in IOs, and the two measures of development (GDP PER CAPITA and the adult LITERACY RATE). The results strongly confirmed our proposition on the existence of distinct clusters of causal variables. The factor analysis clearly revealed three independent factors, corresponding to international economic integration, IOs, and development levels.[82] The variables with the strongest loadings in each factor were precisely those we expected (see Table 1).

We identify the grouping of trade, investment, travel, and communication measures as INTERNATIONAL ECONOMIC INTEGRATION. A second factor included the set of international membership variables, which we labeled "IO MEMBERSHIPS." The cluster of development measures—GDP per capita and literacy—received the label "DEVELOPMENT." The factor scores were saved for use as explanatory variables in the multivariate regressions, thereby eliminating collinear explanatory variables and conserving degrees of freedom for our ninety-seven-country data set.

We had also hypothesized that cultural similarities might facilitate the transmission of values and norms related to corruption. The model therefore includes for each country the average corruption scores for bordering states, or for the nearest neighbors in the case of island states.

In addition to these variables, we included a series of controls. Two of the most important were annual IMF and World Bank credits per capita. To identify a social or cultural effect of membership in IOs, we had to control for economic incentives associated with the principal IOs that transfer financial resources. If, controlling for IMF and World Bank loans, the IO MEMBERSHIPS factor appears significant, we can more confidently interpret that as support for our hypothesis. An additional important control variable was country size, measured as the natural logarithm of POPULATION. Small countries tend to trade a higher share of their GDP, so including POPULATION in the regression controls for the possibility that the economic variable (especially trade) is not just reflecting country size. We also

81. Ades and Di Tella 1999.

82. Following Stevens (1992) we consider any factor loading greater than 0.512 as "significant." Stevens recommends this threshold for sample Ns of approximately 100.

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TABLE 1. *Rotated factor matrix: Explanatory factors, 97 countries, 1995–98*

Variables	*Factor 1: International economic integration*	*Factor 2: IO memberships*	*Factor 3: Development*
NUMBER OF IO MEMBERSHIPS	−.008	**.730**	.399
YEARS IMF MEMBER	.039	**.858**	−.040
YEARS UN MEMBER	−.053	**.856**	−.072
YEARS GATT/WTO MEMBER	.159	**.816**	.096
LITERACY RATE	.071	−.106	**.914**
GDP PER CAPITA (ln)	.352	.281	**.826**
GFDI PER CAPITA	**.784**	.230	.363
INTERNATIONAL TELEPHONE MINUTES PER SUBSCRIBER	**.751**	−.147	−.305
AIR FREIGHT PER CAPITA	**.888**	−.005	.072
AIR PASSENGERS PER CAPITA	**.732**	.245	.337
TRADE/GDP	**.918**	−.027	.233
Eigenvalue	4.298	2.683	1.507

Note: Results produced with Varimax rotated principal components analysis. Factor scores obtained by Anderson-Rubin method. Bold indicates significant factor loadings. GDP = Gross domestic product. GFDI = Gross foreign direct investment. ln = natural logarithm.

included as controls several other variables identified in previous research (as discussed earlier):

- BRITISH HERITAGE (United Kingdom, Commonwealth member, or former colony)
- PROTESTANTISM (percent of population)
- Additional measurements of religious affiliation (CATHOLICISM and ISLAM)
- DEMOCRACY (Freedom House score)
- GOVERNMENT ECONOMIC INTERVENTION (Heritage Foundation).[83]

Multivariate Analysis

Because economically developed democracies are also likely to be more internationally integrated than other countries, we sought to confirm that our statistical

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

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findings remained consistent even when the wealthy democracies were omitted from the sample. We therefore ran the model with both the whole set of countries and with a subset that excluded the OECD countries.[84] We assumed that the results for the non-OECD sample would need to closely mirror those for the entire sample for the robustness of the findings to be fully evident.[85]

The results presented in Table 2 show that our measures of international integration are significantly related to corruption levels, even controlling for democracy, religion, and a variety of other variables. The factor score representing a country's level of international economic integration was statistically significant and negatively related to corruption as we had expected. In fact, the INTERNATIONAL ECONOMIC INTEGRATION factor score was the strongest contributor (in terms of standardized coefficients, or *Betas*) in the total sample—model (1)—to explaining variation in corruption scores, followed by the DEVELOPMENT factor score and the DEMOCRACY score. The IO MEMBERSHIPS factor score registered the next largest influence on the corruption measure. IMF CREDIT PER CAPITA, LONG-TERM DEMOCRACY, and AVERAGE CORRUPTION OF BORDER COUNTRIES were also statistically significant in the full sample. The same model run for just the seventy-three non-OECD countries–model (2)–largely replicated these results. With two exceptions (AVERAGE CORRUPTION OF BORDER COUNTRIES and LONG-TERM DEMOCRACY), the variables that had been significant in model (1) remained so in model (2), with larger standardized coefficients. [86]

Using the Graft-CPIA index, we replicated our analysis for a sample of 153 countries for the 1997–98 period.[87] The factor analysis of the independent variables for this larger sample, as presented in Table 3, produced results nearly identical to those of the ninety-seven-country CPI data set presented in Table 1. Once

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

85. We also computed collinearity statistics throughout the study to ensure that the models did not contain variance inflation factor scores and tolerances outside of commonly accepted levels. In addition, we ran the model for different combinations of years, with remarkably consistent results.

86. To test for the possibility of heteroskedasticity, we conducted a White test on the variables included in the regression. The resulting test statistic ($N*R^2$) was 22.36. The critical value on the Chi-square distribution, with 27 degrees of freedom (the number of coefficients in the White regression) and $P=.01$, is 47.0. Only at values higher than 47.0 would we be justified in rejecting the null hypothesis of homoskedasticity; the test statistic was clearly far below that value. The test statistic value of 22.36 has a probability of 0.67. This means that we would have a 67 percent chance of erroneously rejecting the null hypothesis (of homoskedasticity).

87. We replicate the analysis in all but one detail. The measure of GROSS FOREIGN DIRECT INVESTMENT per capita was excluded from the factor analysis, and thus from the INTERNATIONAL ECONOMIC INTEGRATION factor, because observations of this indicator do not exist for many of the countries in the wider data set. All other independent variables are collected from the same sources and maintain the same definitions. They were collected for 1996, providing a one-year lag to the Graft-CPIA observations. That is, there is no temporal overlap between dependent and independent variables.

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TABLE 2. *Regression analysis: Transparency International CPI corruption scores, 1999–2002*

	Model 1: All countries		*Model 2: Non-OECD*	
Variables	*B (S.E.)*	*Beta (standardized)*	*B (S.E.)*	*Beta (standardized)*
Constant	3.495		3.365	
	(2.195)		(2.911)	
DEVELOPMENT (factor)	−.730***	−.310	−.649***	−.435
	(.188)		(.203)	
INTERNATIONAL ECONOMIC INTEGRATION (factor)	−.848***	−.360	−.873***	−.618
	(.134)		(.143)	
IO MEMBERSHIPS (factor)	−.407**	−.173	−.353*	−.233
	(.165)		(.211)	
IMF CREDIT PER CAPITA	.011**	.153	.010**	.248
	(.004)		(.004)	
WORLD BANK CREDIT PER CAPITA	−.003	−.074	−.005	−.165
	(.003)		(.003)	
AVERAGE CORRUPTION SCORE OF BORDER COUNTRIES	.210*	.137	.275	.154
	(.122)		(.171)	
DEMOCRACY SCORE	−.305***	−.220	−.253**	−.263
	(.108)		(.115)	
LONG-TERM DEMOCRACY	−.787*	−.141	−.846	−.117
	(.424)		(.663)	
GOVERNMENT ECONOMIC INTERVENTION	.095	.034	.155	.094
	(.152)		(.176)	
PROTESTANT PERCENTAGE	−.008	−.084	−.015	−.148
	(.006)		(.010)	
CATHOLIC PERCENTAGE	.003	.047	.003	.084
	(.004)		(.005)	
ISLAM PERCENTAGE	−.001	−.018	−.001	−.029
	(.005)		(.005)	
BRITISH HERITAGE	.043	.008	.321	.100
	(.273)		(.335)	
POPULATION (ln)	.123	.079	.099	.101
	(.108)		(.138)	
Adjusted R^2	.847		.606	
Number of cases	97		73	

Note: Dependent variable is the inverted corruption score. Independent variables are averages for 1995–98. OLS regression with pairwise deletion. Standardized errors are in parentheses. ln = natural logarithm.
***$p < .01$.
**$p < .05$.
*$p < .10$.

again the same three factors, with very similar loadings, presented themselves. Thus we can say that any potential sample selection bias in the CPI methodology did not have a noticeable effect on these clusters of international exchange, IO memberships, or level of development variables.

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TABLE 3. *Rotated factor matrix: Explanatory factors, 153 countries, 1997–98*

Variables	*Factor 1: IO memberships*	*Factor 2: International economic integration*	*Factor 3: Development*
NUMBER OF IO MEMBERSHIPS	**.749**	−.185	.317
YEARS IMF MEMBER	**.887**	−.001	−.076
YEARS UN MEMBER	**.834**	−.076	−.126
YEARS GATT/WTO MEMBER	**.726**	.035	.194
LITERACY RATE	−.104	−.010	**.911**
GDP PER CAPITA (ln)	.266	.348	**.818**
INTERNATIONAL TELEPHONE MINUTES PER CAPITA	−.128	**.765**	−.217
AIR FREIGHT PER CAPITA	.072	**.733**	.252
AIR PASSENGERS PER CAPITA	.218	**.662**	.476
TRADE/GDP	−.346	**.733**	.136
Eigenvalue	3.032	2.779	1.306

Note: Results produced with Varimax rotated principal components analysis. Factor scores obtained by Anderson-Rubin method. Factors exclude gross foreign direct investment (GFDI) per capita because of too many missing data points for the expanded sample of 153 nations. Bold indicates significant factor loadings. GDP = Gross domestic product.

The regression analysis results presented in Table 4 show that for the most part, the relationships remain consistent with those obtained with the TI data. The INTERNATIONAL ECONOMIC INTEGRATION, IO MEMBERSHIP, and DEVELOPMENT factor scores all produce results remarkably similar to those in the ninety-seven-state CPI model presented in Table 2. Countries with more international integration and those that are more developed are less likely to be identified as highly corrupt.[88]

In the complete 153-nation model, the variables with the strongest contribution, as measured by standardized beta coefficients, were the DEMOCRACY score, followed by the DEVELOPMENT factor score and then the IO MEMBERSHIPS and the INTERNATIONAL ECONOMIC INTEGRATION factor scores. CORRUPTION OF BORDERING COUNTRIES and LONG-TERM DEMOCRACY were also significant, as they were in the full sample of TI CPI countries. As in the ninety-seven-state CPI model, states receiving greater IMF credits per capita tended to be more corrupt.

Removing the OECD countries from the model produced nearly identical results, with the IO MEMBERSHIPS and the INTERNATIONAL ECONOMIC INTEGRATION factor scores swapping positions. AVERAGE CORRUPTION OF BORDERING COUNTRIES and LONG-TERM DEMOCRACY, as before, dropped out of significance in the non-OECD sample.

88. As before, we carried out the White test for heteroskedasticity. In the regression using the Graft-CPIA data, the procedure yields a White test statistic of 20.98. The critical Chi-square value is 45.6 (df=26, P=.01). Again, the test statistic is well below the critical value. With this value of the test statistic, we would have a 69 percent chance of erroneously rejecting the null hypothesis of homoskedasticity.

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TABLE 4. *Regression analysis: Graft-CPIA corruption scores, 1997–98*

	Model 1: All countries		*Model 2: Non-OECD*	
Variables	*B (S.E.)*	*Beta (standardized)*	*B (S.E.)*	*Beta (standardized)*
Constant	.973		1.097	
	(1.362)		(1.618)	
DEVELOPMENT (factor score)	−.590***	−.325	−.547***	−.384
	(.120)		(.130)	
INTERNATIONAL ECONOMIC INTEGRATION (factor score)	−.398***	−.218	−.449**	−.354
	(.106)		(.112)	
IO MEMBERSHIPS (factor score)	−.411***	−.219	−.369**	−.249
	(.118)		(.154)	
IMF CREDIT PER CAPITA	.007**	.133	.007**	.194
	(.003)		(.003)	
WORLD BANK CREDIT PER CAPITA	−.001	−.039	−.001	−.052
	(.002)		(.002)	
AVERAGE CORRUPTION SCORE OF BORDER COUNTRIES	.207**	.162	−.140	.101
	(.083)		(.103)	
DEMOCRACY SCORE	−.155***	−.336	−.152***	−.419
	(.032)		(.034)	
LONG-TERM CONTINUOUS DEMOCRACY	−.667*	−.132	−.572	−.067
	(.343)		(.604)	
GOVERNMENT ECONOMIC INTERVENTION	.009	.005	.025	.022
	(.084)		(.092)	
PROTESTANT PERCENTAGE	.002	.019	−.007	.071
	(.005)		(.008)	
CATHOLIC PERCENTAGE	.009***	.176	.010***	.260
	(.003)		(.004)	
ISLAM PERCENTAGE	.000	.008	.002	.053
	(.003)		(.003)	
BRITISH HERITAGE	−.092	−.025	−.113	−.042
	(.179)		(.234)	
POPULATION (ln)	.100	.086	.108	.129
	(.073)		(.084)	
Adjusted R^2	.796		.596	
Number of cases	153		129	

Note: Dependent variable is the inverted corruption score. The regression method is OLS with pairwise deletion. Standardized errors are in parentheses. ln = natural logarithm.
***$p < .01$.
**$p < .05$.
*$p < .10$.

The results on the IO MEMBERSHIPS factor score support our hypothesis, but we need to check for the possibility of reverse causation. That is, perhaps participation in IOs does not reduce corruption, but rather corruption reduces levels of IO participation. To verify the direction of causation, we examined the membership criteria of the three general membership IOs that went into the IO Memberships

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factor: the United Nations, the IMF, and the GATT/WTO. We dealt with the fourth element of the IO MEMBERSHIPS factor—number of memberships—in a different fashion, as described below.

The UN is quite straightforward. As a universal IO, the UN is open to all "peace-loving states which accept the obligations contained in the present Charter and, in the judgment of the Organization, are able and willing to carry out these obligations."[89] Having a low corruption level is not mentioned among those obligations. In any case, in practice very few countries are excluded from the UN for any reason. A similar assessment applies to the IMF. With 184 member countries, the IMF essentially excludes no one. According to the Articles of Agreement (Art. 2(2)), membership is open "to other countries at such times and in accordance with such terms as may be prescribed by the Board of Governors . . . based on principles consistent with those applied to other countries that are already members." Low corruption does not appear as a condition of membership either in the original Articles of Agreement or in the current By-Laws, Rules and Regulations.[90] Of course, the IMF has incorporated anticorruption principles in the "good governance" dimension of its activities (advice, lending, technical assistance)[91]—but not into its criteria of membership. Finally, the WTO has barely begun, only indirectly, to consider corruption-related norms, and then only in the context of government procurement (as described above). If anticorruption norms are not yet part of WTO trade rules, they are certainly not going to be part of its entry requirements. Indeed, the guidelines on joining the WTO declare that "the negotiations on market access constitute the most critical element of the accessions process . . ."[92]

The other variable forming part of the IO MEMBERSHIPS factor score is simply a count of the number of IOs a country belongs to. The countries of Western Europe, North America, and Oceania belong to significantly larger numbers of IOs than do countries from other regions. However, there is no evidence that IOs are admitting the West European or North Americans but excluding other countries on the basis of corruption. Membership in a significant number of IOs is restricted by economic size or development (OECD, Group of 7, Group of 10, and so on). Western Europe may also be the most densely organized region; it has a high number of regional organizations (European Space Agency, Western European Union, European Union, and so on) that exclude countries not because they are corrupt but because they are not European.

The one IO that might appear to have established a corruption criterion for membership is the EU. The EU is currently in the midst of a major enlargement, with ten countries scheduled to join in 2004. The EU established three major criteria

89. United Nations Charter, Art. 4(1).
90. International Monetary Fund 2003a and 2001a.
91. International Monetary Fund 2002.
92. World Trade Organization 2003b.

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that the applicant countries must satisfy before joining: political criteria, economic criteria, and Community *acquis* criteria. Corruption is one subheading under the political criteria. However, it is clear that corruption will not be a "make or break" criterion in the negotiations; the crucial assessments in the negotiations focus on the economic criteria and, especially, on adoption by the applicant states of the EU *acquis* (existing rules and policies). In any case, the current round of EU enlargement is irrelevant for our analysis because our data for the independent variables (including the IO measures) come from the 1995–98 period. In 1998, the enlargement process was just getting underway. Indeed, negotiations began with six countries in 1998, and with six more in 2000. The EU Commission's first annual "Regular Reports" on progress toward accession came out only in November 1998—too late to affect our data. (For more detailed information on the role of corruption in the EU enlargement process, see Appendix 2.)

Consequently, for purposes of our analysis, any (still hypothetical) effects of a corruption criterion in EU enlargement would come after the period covered by our data. In previous enlargements (1973, 1986, and 1995) corruption simply did not figure in the decision making.[93] Thus the EU does not represent an instance in which an IO excluded countries on the basis of high levels of corruption during the period covered by our data.[94]

A final potential concern is that the wealthy countries of Western Europe, North America, and Oceania belong to more IOs on average for other reasons, perhaps related to high levels of development or to well-established democratic institutions. In our analysis, we alleviate that concern in two ways. First, we control for both development and democracy by including in each regression the factor score for level of development and two different measures of democratic governance (Freedom House scores and a dummy for long-term continuous democracy). Second, for each measure of corruption, we run the model a second time excluding the OECD countries. IO MEMBERSHIPS is negatively correlated with corruption levels, and statistically significant, when the sample excludes the OECD countries. This result offers strong evidence that the coefficient for IO MEMBERSHIPS is not being driven by the wealthy democracies.

Another intriguing result of the analysis of the Graft-CPIA data has to do with religion. Whereas other studies have found a significant negative relationship between Protestantism and corruption, in our analysis of the Graft-CPIA data, Catholicism is statistically significant and positively related to corruption. This disparity is an interesting result that should be studied further. One possible explanation is that religion is closely tied to colonialism in many of the developing nations included in the larger data set. Not only did colonial powers—beyond Great

93. See Preston 1997; Redmond 1997; Tsoukalis 1981; Sampedro and Payno 1983; Michalski and Wallace 1992; Nicoll and Schoenberg 1998; Curzon Price et al. 1999; and Ross 2002.

94. In the current round, corruption receives mention in the assessments, but plays no real role in the enlargement decisions. For further explanation, please see Appendix 2.

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Britain, for which we do control—often bring their political institutions to these newer nations, they also implanted their dominant religions. Religious affiliation may therefore serve as a proxy for differing colonial legacies more broadly. The cultural residues of colonialism are thus possibly an important avenue of research in future studies of corruption.[95]

In sum, the variables critical to the themes discussed here, including both economic and social forms of international integration, appear to be related to levels of corruption worldwide. These relationships were consistent across different measures of the dependent variable and across samples including and excluding the OECD countries. The model's performance in the expanded data set strengthens our confidence in its robustness. The more internationally integrated, democratic and developed a country is, the more likely it will have lower levels of corruption.

Conclusion

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

Using the CPI, the full sample model explained 85 percent of the variance across the ninety-seven countries, while the non-OECD model explained approximately 61 percent of the variation in the corruption index among those countries. The model fit as shown in Figure 1 is well distributed across the entire sample. No statistically significant outliers were identified but visually there are a few intriguing cases.

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

95. Colonialism was also a form of international integration. However, unlike international integration in the 1990s, colonial relationships could have encouraged more corruption, with effects still visible today. In this regard it is not international integration in and of itself which accounts for corruption levels, but rather the nature of those cross-national interactions. In the late 1990s, as we have argued, the anticorruption norm had become increasingly important and widely discussed. Economic incentives increased the costs of corruption. In past colonial systems, the nature of international integration was different, and therefore had different effects.

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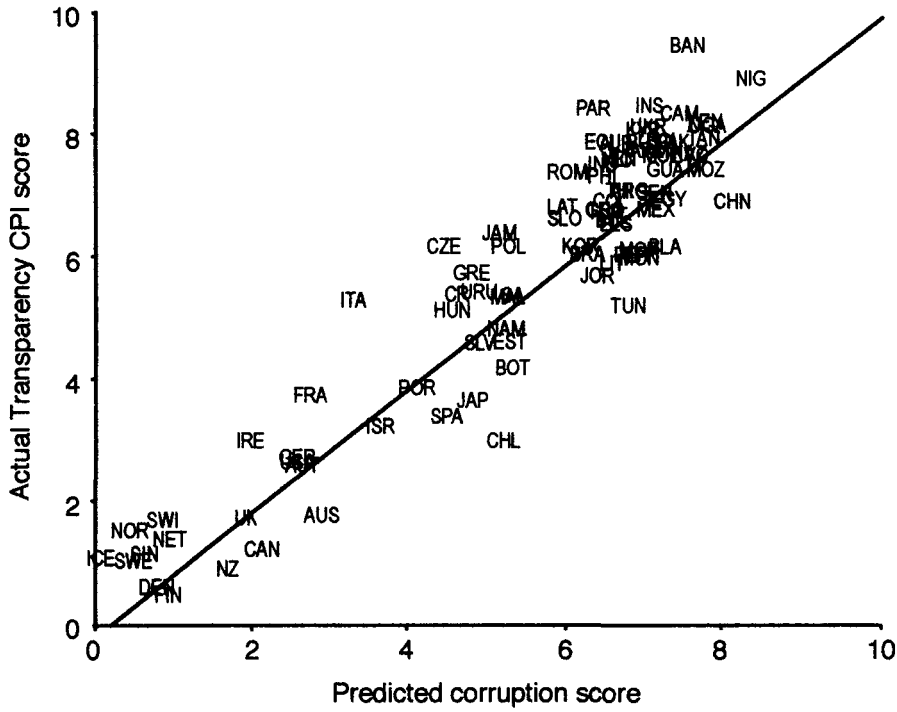


FIGURE 1. *Model fit, Transparency International CPI, 97 countries*

The model produced slightly lower levels of explained variances with the Graft-CPIA data. In the 153-country sample, the model explains about 80 percent of the variance; in the non-OECD sample of 129 countries, it accounts for about 60 percent. That said, the overall fit of the data is visually slightly better.

Italy is no longer a noticeable outlier—in part because of the lower corruption score given to it on the Graft-CPIA index for 1997–98. Overall the model fit is similar to that of the CPI model and consistently good across the range of scores.

At a minimum, the regression results provide strong support for our proposition that the more a country is integrated into international society, the more it will encounter economic and normative pressures against corrupt practices. Indeed, our analysis offers evidence that both forms of international integration—economic and social—significantly affect domestic corruption levels. International flows associated with trade and investment increase the costs of corruption to any given country. Our analysis provides evidence that participation in IOs leads to lower corruption levels. We hypothesized that IOs might affect corruption levels through socialization and the diffusion of anticorruption norms; additional research would be necessary to establish the causal link fully.

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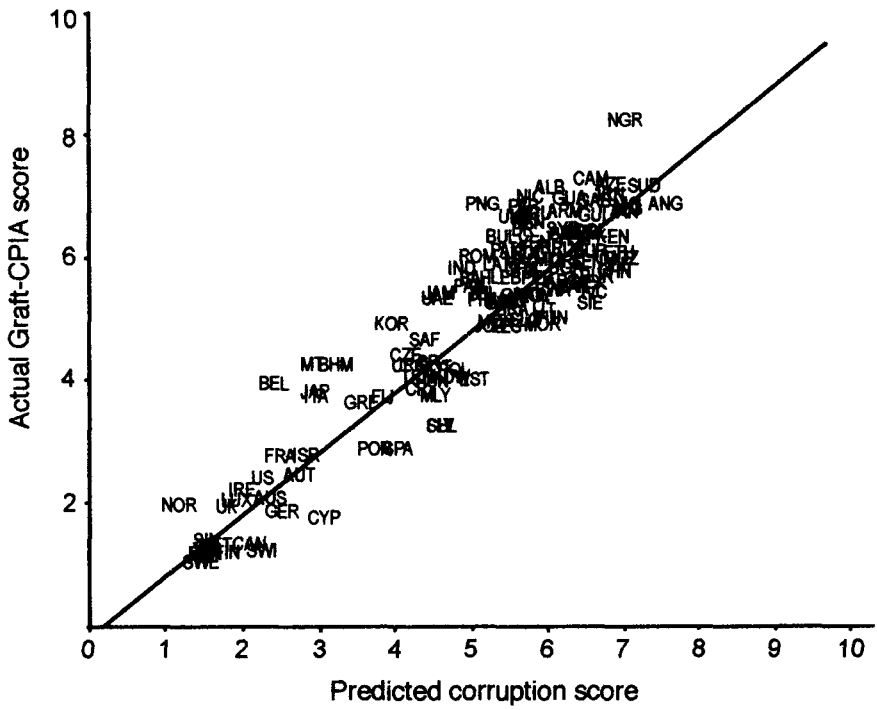


FIGURE 2. *Model fit, Graft-CPIA corruption score, 153 countries*

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

Appendix 1: Measuring Perceived Corruption: Methods and Scores

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

Sources generally apply a definition of corruption such as the misuse of public power for private benefits, for example, bribing of public officials, kickbacks in public procure-

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ment, or embezzlement. Data sources include the Freedom House Nations in Transit; Gallup International (GI); Economist Intelligence Unit (EIU); Institute for Management Development (IMD), Lausanne, Switzerland; International Crime Victim Survey (ICVS); Political and Economic Risk Consultancy; Wall Street Journal; Central European Economic Review; World Bank and University of Basel, Switzerland; World Economic Forum; and Political Risk Services.

The CPI incorporates multiple data sources into one index, thereby enhancing the reliability of each country's score. An inaccuracy in one data source will be offset by including at least two additional sources in the calculation of each score. Including multiple surveys into the Transparency International index thus reduces the chances of producing a distorted score for any individual country.

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

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

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

Graft-CPIA Methodology

The "Graft-CPIA" index is closely related to TI's CPI and was created in part by World Bank analysts to measure corruption. It is also a "poll of polls." In many cases it uses the same root data sources and surveys as Transparency International (TI) and, as Knack and Azfar note, it correlates at 0.98 with the 1999 CPI scores. The most important difference and advantage is that the Graft-CPIA produces corruption scores for many more nations than the CPI—including many small and developing nations excluded from TI's data. However, this comes at some cost as it relies on fewer root data sources, which produces scores with higher standard errors for the final score. Knack and Azfar also use regression analysis to "impute" a score for some nations, which are not covered by the original Kaufman, Kraay, and Zoido-Lobatón 155-nation "Graft" index.[96] Knack and Azfar (2001) use other corruption measures produced by the World Bank to create the Graft-CPIA index for a total of 184 nations covering the 1997–98 period.[97]

96. Kaufman, Kraay, and Zoido-Lobatón 1999.
97. Knack and Azfar 2001.

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The Graft-CPIA standardized scale runs from −2.5 to 2.5 where positive scores represent less corruption. We have reversed the index and expanded it to cover a 0 to 10 scale, where a higher value equates with greater corruption, by multiplying the original score by −1, then adding 2.5 and then multiplying by 2. The correlation between the CPI average for 1995–98 and the Graft-CPIA index for 1997–98 for countries in our data set which have both scores is 0.96.

Converted corruption scores

Nation	*Graft-CPIA (1997–98)*	*CPI (1999–2002)*
Albania	6.97	7.60
Algeria	6.76	
Angola	6.73	
Argentina	5.55	6.80
Armenia	6.61	7.50
Australia	1.80	1.48
Austria	2.09	2.28
Azerbaijan	7.00	8.20
Bahamas, The	4.01	
Bahrain	5.43	
Bangladesh	5.58	9.20
Belarus	6.31	5.90
Belgium	3.66	3.73
Benin	6.56	
Bolivia	5.88	7.65
Bosnia and Herzegovina	5.71	
Botswana	3.93	3.88
Brazil	4.88	5.75
Brunei	5.04	
Bulgaria	6.11	6.33
Burkina Faso	5.74	
Cameroon	7.21	8.08
Canada	0.89	.93
Chad	6.17	
Chile	2.94	2.68
China	5.58	6.63
Colombia	5.98	6.63
Congo, Dem. Rep.	8.11	
Congo, Rep.	6.19	
Costa Rica	3.85	5.13
Cote d'Ivoire	5.16	7.40
Croatia	5.93	6.48
Cuba	4.45	
Cyprus	1.38	
Czech Republic	4.23	5.88
Denmark	0.74	0.30
Dominican Republic	6.55	
Ecuador	6.64	7.63
Egypt, Arab Rep.	5.53	6.65
El Salvador	5.71	6.25
Estonia	3.81	4.35
Ethiopia	5.87	

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Converted corruption scores (Continued)

Nation	*Graft-CPIA (1997–98)*	*CPI (1999–2002)*
Fiji	3.39	
Finland	0.83	0.15
France	2.44	3.43
Gabon	7.03	
Gambia, The	5.04	
Georgia	6.49	7.65
Germany	1.76	2.43
Ghana	5.60	6.48
Greece	3.35	5.45
Guatemala	6.64	7.13
Guinea	6.70	
Guinea-Bissau	5.35	
Guyana	5.04	
Haiti	6.07	
Honduras	6.88	7.60
Hong Kong, China	2.37	
Hungary	3.77	4.85
Iceland	1.34	0.78
India	5.61	7.23
Indonesia	6.60	8.20
Iran, Islamic Rep.	6.70	
Iraq	7.53	
Ireland	1.87	2.68
Israel	2.45	2.93
Italy	3.40	5.00
Jamaica	5.23	6.10
Japan	3.55	3.35
Jordan	4.72	5.40
Kazakhstan	6.74	7.43
Kenya	6.30	7.95
Korea, Dem. Rep.	6.07	
Korea, Rep.	4.68	5.88
Kuwait	3.76	
Kyrgyz Republic	6.53	7.80
Latvia	5.53	6.53
Lebanon	5.79	
Lesotho	4.62	
Liberia	7.10	
Libya	6.76	
Lithuania	4.93	5.63
Luxembourg	1.66	1.23
Macedonia, FYR	6.03	6.70
Madagascar	5.94	
Malawi	5.39	6.43
Malaysia	3.73	5.05
Mali	5.95	
Malta	4.01	
Mauritius	4.33	5.35
Mexico	5.55	6.50
Moldova	5.77	7.40
Mongolia	5.29	5.70

(continued)

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Converted corruption scores (Continued)

Nation	*Graft-CPIA (1997–98)*	*CPI (1999–2002)*
Morocco	4.75	5.83
Mozambique	6.07	7.15
Myanmar	7.19	
Namibia	4.24	4.55
Netherlands	0.95	1.08
New Zealand	0.85	0.58
Nicaragua	6.67	7.33
Niger	8.13	
Nigeria	6.91	8.65
Norway	1.63	1.23
Oman	4.03	
Pakistan	6.54	7.63
Panama	5.92	
Papua New Guinea	6.71	
Paraguay	6.92	8.15
Peru	5.40	5.75
Philippines	5.46	7.03
Poland	4.02	5.90
Portugal	2.56	3.58
Puerto Rico	2.76	
Qatar	3.86	
Romania	5.91	7.10
Russian Federation	6.23	7.63
Saudi Arabia	6.15	
Senegal	5.47	6.78
Sierra Leone	5.04	
Singapore	1.10	0.83
Slovak Republic	4.94	6.35
Slovenia	2.95	4.33
Somalia	7.10	
South Africa	4.40	5.10
Spain	2.57	3.08
Sri Lanka	5.25	
Sudan	7.03	
Suriname	5.04	
Swaziland	4.99	
Sweden	0.83	0.73
Switzerland	0.86	1.40
Syrian Arab Republic	6.58	
Tanzania	6.85	7.68
Thailand	5.33	6.80
Togo	5.48	
Trinidad and Tobago	3.98	
Tunisia	4.96	4.93
Turkey	5.70	6.45
Turkmenistan	7.58	
Uganda	5.93	7.88
Ukraine	6.78	7.85
United Arab Emirates	5.05	
United Kingdom	1.59	1.43
United States	2.19	2.35

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Converted corruption scores (Continued)

Nation	*Graft-CPIA (1997–98)*	*CPI (1999–2002)*
Uruguay	4.14	5.13
Uzbekistan	6.93	7.55
Venezuela	6.45	7.35
Vietnam	5.66	7.48
West Bank and Gaza	4.27	
Yemen, Rep.	6.71	
Yugoslavia (Serbia/Montenegro)	6.99	
Zambia	6.23	6.98
Zimbabwe	5.64	6.83

Source: Kaufmann, Kraay, and Zoido-Lobatón 1999; Transparency International 2003.
Note: Scores have been converted to run from 0 to 10 scales, where 0 represents the least corrupt and 10 the most corrupt.

Appendix 2: Anticorruption and EU Enlargement

The European Council (heads of state) meeting in Copenhagen, Denmark, in June 1993 outlined a general framework to guide the accession process for countries applying for European Union (EU) membership. One of the "Copenhagen Criteria" for accession to the EU was the "political criterion": that each state must possess stable institutions guaranteeing democracy, the rule of law, and the protection of human rights, especially the rights of minorities. The European Commission published in July 1997 its *Agenda 2000* report—a more detailed plan for accomplishing accession—along with its opinion on the state of preparation of ten applicant countries. The Commission's opinions included under the Political Criteria heading brief comments on efforts to reduce corruption. In December 1997, the European Council endorsed the Commission's agenda and declared that negotiations with the applicant countries would begin the following year.

Beginning in 1998, as part of the negotiation process, the Commission issued annual "Regular Reports" on progress toward accession for each applicant country. The Reports examine performance regarding the Copenhagen criteria. In each Report, the Political Criteria section includes two subsections, one on "Democracy and the rule of law" and another on "Human rights and the protection of minorities." One of four headings under "Democracy and the rule of law" deals with anticorruption measures. In addition, the Commission has published an annual overall report on progress toward enlargement. In the latest edition, the Commission notes, with respect to the political criterion: "In its 1997 Opinions and subsequent Regular Reports, the Commission has been evaluating candidates' progress towards meeting the Copenhagen political criteria. Since 1999, the Commission has judged that all candidates involved in the negotiations meet these criteria."[98] In other words, the political criteria—including anticorruption efforts—are not going to be an obstacle for the applicant countries.

98. Commission of the European Communities 2002c.

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The Commission's positive assessment of the political criteria does not mean that the applicant countries have successfully eliminated corruption. Rather, it is a demonstration that corruption is a peripheral concern in the overall enlargement process; it is clearly not going to be a decisive factor one way or the other. For instance, in the most recent overall report, with respect to Bulgaria (one applicant country where corruption has been identified as an area of concern), the Commission simply declares that "Bulgaria needs to continue to make concerted efforts." The single paragraph on corruption, to put it in perspective, is about the same length as the paragraph on the treatment of the Roma minority in Bulgaria.[99]

Another way of ascertaining the importance of corruption relative to other factors being considered in the enlargement process is to examine the most recent country-specific progress reports plus the Commission's latest report on the negotiations. From the country reports for the ten countries scheduled to enter the EU in 2004 and the two that hope to join in 2007, it is obvious that the most important accession criterion by far is adoption of the "*acquis*," that is, complying with the myriad EU rules and regulations governing the single market.[100] We calculated, for example, that the 2002 country reports devote an average of 12.6 pages to the Political Criteria, compared with 77.8 pages to the Economic Criteria. The discussion of corruption (within the Political Criteria section) receives an average of 1.8 pages. For purposes of comparison, the assessment of "Fisheries" (within the Economic Criteria section) occupies an average of 2.3 pages.[101] It is probably not much of an exaggeration to say that a country is more likely to be barred from entering the EU by insufficiently compatible fisheries policies than it is by its corruption level. The current progress report on the accession negotiations lists the areas in which detailed talks between the EU and the applicant states continue. All of the headings included in the negotiations relate to the adoption by the applicant states of EU rules defining the single internal market. The political standards, including corruption, receive no mention.[102] In other words, the actual membership negotiations have focused predominantly on compatibility with EU market rules.

Appendix 3: Independent Variable Sources and Definitions

Variable	*Definition*	*Source*
NUMBER OF IO MEMBERSHIPS	Total number of memberships in IOs.	Cook (2001); Wright (2000); CIA *World Factbook*
YEARS IMF MEMBER	Cumulative years of membership in the IMF.	International Monetary Fund (2003b)
YEARS UN MEMBER	Cumulative years of membership in the UN.	United Nations (2003)

(continued)

99. Ibid.

100. The ten scheduled for accession in 2004 are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia. Bulgaria and Romania hope to enter in 2007. Turkey has no target date for accession, for reasons unrelated to corruption.

101. Commission of the European Communities 2002b.

102. Commission of the European Communities 2002a.

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Appendix 3: (Continued)

Variable	*Definition*	*Source*
YEARS GATT/WTO MEMBER	Cumulative years of membership in the GATT and WTO.	World Trade Organization (2003a, 2003c)
LITERACY RATE	Percentage of people aged fifteen and above who can with understanding read and write a short, simple statement on their everyday life.	World Bank Development Indicators
POPULATION (LOG)	Natural log of population.	World Bank Development Indicators
GDP PER CAPITA (LOG)	Natural log of GDP per capita.	World Bank Development Indicators
GFDI PER CAPITA	Value of inflows and outflows of foreign direct investment per capita.	World Bank Development Indicators
INTERNATIONAL TELEPHONE MINUTES PER CAPITA	International telephone minutes per capita.	International Telecom
AIR FREIGHT PER CAPITA	Tons of freight multiplied by the stage distance divided by total population.	World Bank Development Indicators
AIR PASSENGERS PER CAPITA	Air passengers per capita.	World Bank Development Indicators
TRADE/GDP	Imports and exports divided by GDP.	World Bank Development Indicators
IMF CREDIT PER CAPITA	IMF credit per capita.	World Bank Development Indicators
WORLD BANK CREDIT PER CAPITA	World Bank credit per capita.	World Bank Development Indicators
AVERAGE CORRUPTION SCORE OF BORDER COUNTRIES	Average corruption score of closest neighbors/ bordering countries.	Transparency International (2003)
DEMOCRACY SCORE	Inverted and combined Political Rights and Civil Liberties 7-point scales—running from −2 (democratic) to −14 (nondemocratic)	Freedom House (2000)
LONG-TERM CONTINUOUS DEMOCRACY	Continuous democracy since 1946.	Lijphart (1999)
GOVERNMENT ECONOMIC INTERVENTION	Scale runs from 1 (very low intervention) to 5 (very high intervention).	Heritage Foundation (2001)

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Appendix 3: (Continued)

Variable	*Definition*	*Source*
PROTESTANT PERCENTAGE	Percent population identified as Protestant	La Porta et al. (1998)
CATHOLIC PERCENTAGE	Percent population identified as Catholic.	La Porta et al. (1998)
ISLAM PERCENTAGE	Percent population identified as Islamic.	La Porta et al. (1998)
FORMER OR CURRENT BRITISH COLONY	United Kingdom, Commonwealth member or former colony.	Cook (2001); Wright (2000); CIA *World Factbook*

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