

Can corruption constrain itself ?

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LITERATURE

External factors:

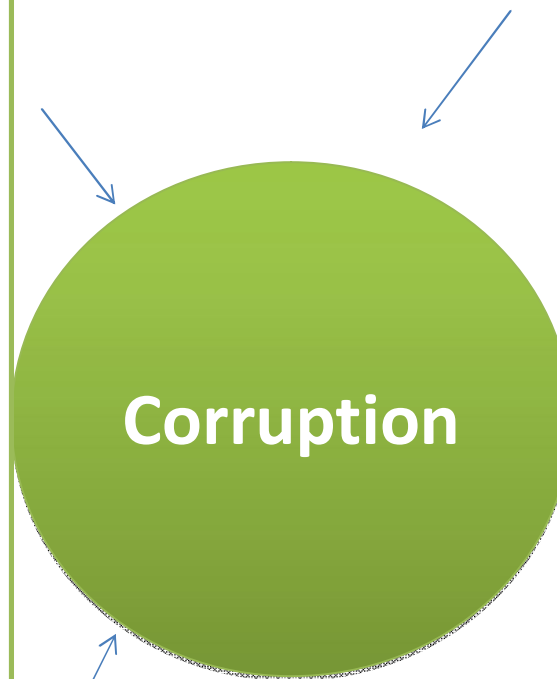
Economic: GDP, income level of the population (Paldam; Treisman)

Politic: The level of democracy (Montinola and Jackman)

Religious: Protestant countries are less corrupted than countries with other religions. (La Porta et al.; Paldam; Sandholtz and Koetzle; Treisman)

Social Values:

Corruption is caused by survival values (Sandholz, Taagepera)



Individual level (eg. neoklassical economic approach, Becker, Stigler)

Institutional level (dysfunction of the public institutes, Manning, Parison; Miller, Macchiavello)

Corruption and social values

- Sandholz and Taagepera: **Survival values** cause corruption.
- Speyer's *Values- and Engagementsurvey* 1997: **Values modernization** causes corruption. Modern selfish society with the low value of the sense of duty creates favorable conditions for corruption.

One thing in common:

Corruption is harmful for the society and it should be combated. First study: it hampers values modernization and development.

Second study: it is the negative side of development process

Corruption and social values

- Our hypothesis: At the particular stage of country's development corruption could accelerate the process of values modernization. Finally it will **constrain** itself.

Key question 1

- Could corruption in the transformational countries be caused by a low level of existential security?

*Existential security: physical and economic security

Key question 2

- Could corruption be a mechanism that makes existential security rise within both sectors?

Possible mechanism

Representatives from the public sector feel insecure because their income is very low and they can hardly maintain their family.



They take bribes to raise their income and consequently their sense of existential security.



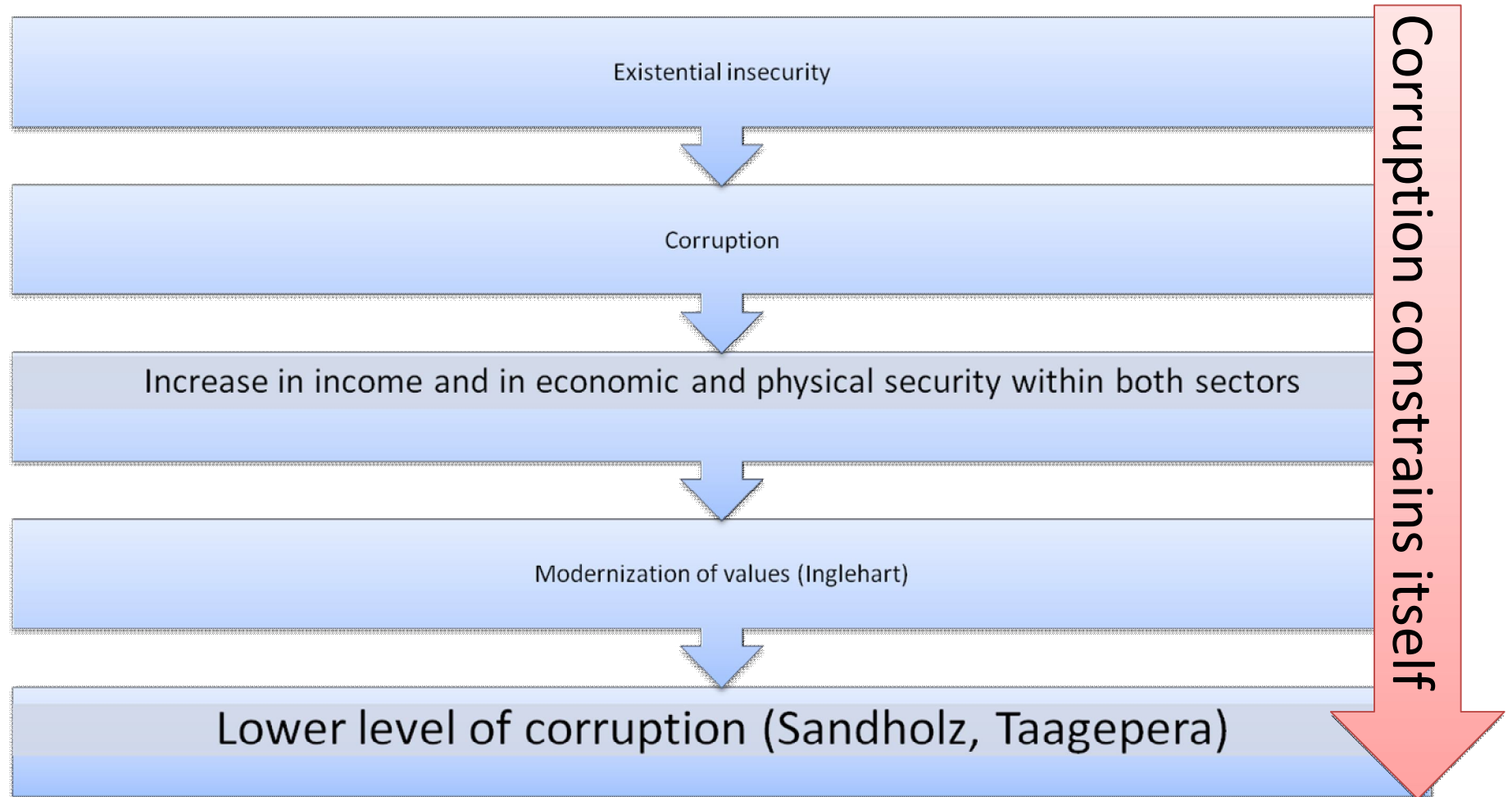
The sense of existential insecurity of people from the private sector is more associated with economic and political instability and with the fear of physical violence.



They give bribes to overcome redundant regulative burdens and to provide their economic and physical security.



Corruption constrains itself



Data sources

- World Values Survey 1981-2008 Official Aggregate v.20090901, 2009. World Values Survey Association (www.worldvaluessurvey.org).
- World Bank's Control of Corruption Index (CCI) (www.worldbank.org)
- World Bank's World Development Indicators. (www.worldbank.org)
- The Worldwide Governance Indicators (WGI), World Bank (www.govindicators.org.)
- Transparency International's Corruption Perceptions Index (CPI) (www.transparency.org)
- United Nations Surveys on Crime Trends and the Operations of Criminal Justice Systems (<http://www.uncjin.org/Statistics/WCTS/wcts.html>)

Hypotheses

We base our research on the finding from the authors of WVS that survival values are relative strong in Russia and in other transformational countries. Hence the sense of existential security of the people in these countries is rather low.

Hypothesis 1

- The main factor of **existential insecurity** for the public sector is **the low income**, while there are several factors that influence existential insecurity in the private sector. They are associated not only with income but also with **country's prosperity and security risks** (income, job market risks, economic stability and growth, crime, risks of armed conflicts)
- We will test it on the sample of 2005-2008 WVS in transformational countries.

Hypothesis 2

- **Income inequality between the public and private sectors** (low income in the public sector in comparison to the private sector) can lead to **corruption**.
- We will test it on the sample of 2005-2008 WVS in transformational countries.
- If the first and the second hypothesis are verified we can say, that existential insecurity within the public sector, caused by the low income can lead to corruption.

Hypothesis 3

- High level of existential insecurity within the private sector causes corruption.
- We will test it on the sample WVS of 2005-2008 in transformational countries.

Hypothesis 4

- **Corruption** could **lower** the level of **existential insecurity** within both sectors. We will use all the data available from the year 1981 for transformational countries to see the dynamic of the people sense of existential security.

Thank you!

Hypothesis 1

- Dependent variable: sense of existential security, which contains all variables from the questionnaire of WVS that could measure the grade of physical and economic security.
- Regressors of interest: significance of job with a good income, economic stability and growth, fighting against crime and strong defense forces.

We will see the contribution of each variable in existential security for the private and for the public sector and then we will compare these contributions.

Hypothesis 2

- Income inequality between the public and private sectors (low income in the public sector in comparison to the private sector) can lead to corruption. We will test it on the sample of 2005-2008 WVS in transformational countries.
- Dependent variable: corruption measured by World Bank's Control of Corruption Index (CCI) and Transparency International's Corruption Perceptions Index (CPI).
- Regressors of interest: income inequality between the public and private sector measured by WVS.
- Controls, taken from different data bases: economic development (GDP per capita), natural resource abundance, voice and accountability, political Instability and violence, government effectiveness, regulatory quality, rule of law, control of corruption.

Hypothesis 3

- High level of existential insecurity within the private sector causes corruption.
- We will test it on the sample WVS of 2005-2008 in transformational countries.
- Dependent variable: corruption measured by World Bank's Control of Corruption Index (CCI) and Transparency International's Corruption Perceptions Index (CPI).
- Regressor of interest: sense of existential security within private sector.
- Controls: the same as in the previous hypothesis

Hypothesis 4

- Corruption could lower the level of existential insecurity. We will use all the data available for transformational countries to see the dynamic of the people sense of existential security.
- Dependent variable: sense of existential insecurity.
- Regressors of interest: corruption measured by World Bank's Control of Corruption Index (CCI) and Transparency International's Corruption Perceptions Index (CPI).
- Controls, taken from different data bases: Income inequality between the public and the private sector, Education, Economic development (GDP per capita), Political Instability and Violence, Government Effectiveness, Quality of bureaucracy, Regulatory Quality, Rule of Law, Unemployment rates, Crime rates.