The Historical Roots of Corruption

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Abstract

- The roots of corruption are highly contested. We argue that there is a path dependence across almost a century and a half and present five theoretical arguments for the existence of a causal mechanism between universal education and control of corruption. We show a powerful statistical link between education levels in 1870 and corruption levels in 2010 for 78 countries, a relationship that remains strong even when controlling for change in the level of education, gross national product per capita, and democratic governance. Regime type is generally not significant. We then trace early education to levels of economic equality in the late 19th and early 21st centuries—and argue that societies with more equality educated more of their citizens, which then gave their citizens more opportunities and power, reducing corruption. We present historical evidence from Europe and Spanish, British, and French colonies that strong states provided more education to their publics—and that such states were themselves more common where economic disparities were smaller.

- Corruption persists over long periods of time. Institutional tinkering will not “cure” corruption.

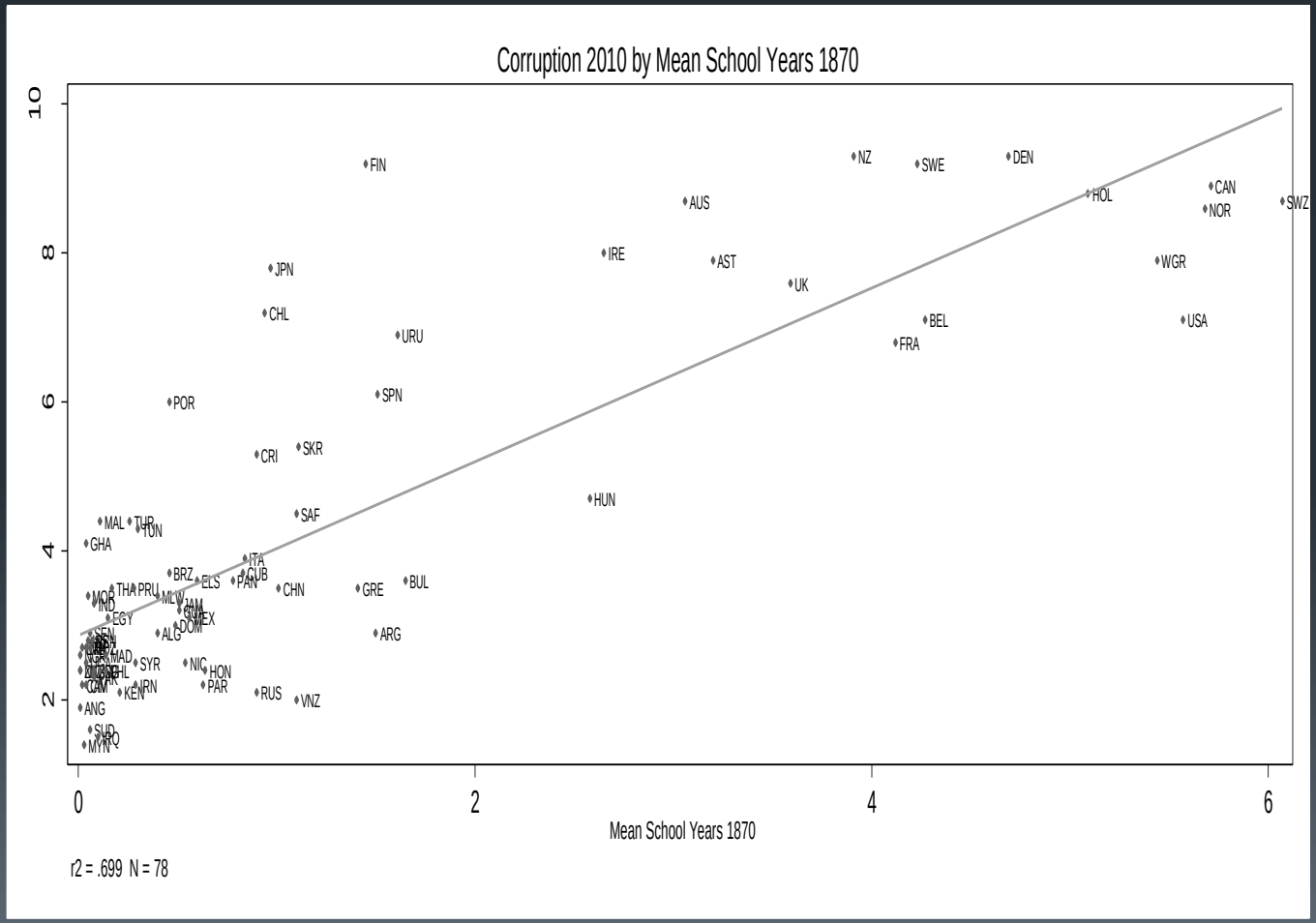
- Mass education is a central factor behind low levels of corruption because:
- Corruption is lower when generalized trust is higher and education is a key factor increasing trust.
- There is considerable evidence that high levels of literacy lead people to be less willing to tolerate corruption. There is also mixed evidence that a free press leads to lower corruption.
- The introduction of broad based free education is likely to establish the idea that the state need not only be an instrument of favoritism, extraction and oppression, but that is can also be an instrument for social justice and increased equality of opportunities which, in its turn, will induce generalized trust.

- Universal education leads to more economic equality—and equality (either directly or through trust) leads to lower levels of corruption. The causal link here is complicated because we show that more equal societies established broad based education in the first place.

- Universal education also increases gender equality and there is a strong relationship between gender equality and lower levels of corruption.

- We argue that early establishment of widespread education creates a path dependence that leads to low levels of corruption almost a century and a half later.

- Our central result is a striking correspondence (R2 = .699) between the mean school years completed across 78 countries in 1870 and the level of corruption in 2010 (using the Transparency International Corruption Perceptions Index).



The effect of early education does *not* depend upon the level of per capita income in 1870:

Regression of 2010 Corruption by 1870 Mean School Years and GNP Per Capita

R^2 = .677 R.M.S.E. = 1.433 N = 46. ** p < .01 * p < .05

Variable	Coefficient	Standard Error	t Ratio
Mean School Years 1870	.738**	.174	4.22
Gross National Product Per Capita 1870	.001*	.0004	2.07
Constant	2.710**	.422	6.42

Nor does the effect of 1870 level of education vanish when we consider mean school year change from 1870-2010 or the level of democracy in the late 19th century (which is insignificant)—or in a model with mean school year change for all 78 countries.

R^2 = .734 R.M.S.E. = 1.338 N = 40. *** p < .0001 ** P < .05

Variable	Coefficient	Standard Error	t Ratio
Mean School Years 1870	.984***	.121	8.16
Mean School Year Change 1870-2010	.305**	.119	2.56
Democracy Polity IV	.027	.078	.03
Constant	.961	.889	1.09

Our General Theoretical Argument and Some Evidence

- Our general argument is that the early provision of universal education was a sign of:

- The capacity of the state to act on public welfare, rather than leaving such activity to religious bodies or local elites.

- The level of equality in a country—since there would be fewer pressures to provide widespread education in a more hierarchical society. We see state capacity to provide services and economic equality as strongly linked.

Mean school years were higher in Western Europe, North America, and Australia. Most former colonies had far lower levels of education. However, some Latin American countries were exceptions—in part because they had achieved independence earlier than most other colonies.

Protestant churches often promoted literacy so that adherents could read the Bible. However, Catholic churches often discouraged education (which would challenge a more hierarchical structure of authority) and were more likely to compete with the state for power. Protestant churches were less likely to compete with state authority.

We also argue that more equal societies (as measured by percent family farms in 1868) led to higher levels of education. And we also show that colonial history did not matter nor did being a Latin American country when we control for the share of a country's population of European background.

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- We take issue with Acemoglu and Robinson's argument that British rule led to better governed colonies than did Spanish control. This argument pays too much heed to the U.S., Canada, and New Zealand—and not enough to British colonies in Asia and Africa. They also do not adequately consider Spanish rule in Argentina and especially Uruguay.

The Colonial Roots of Education

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- Across 76 countries, mean school years in 1870 is highly correlated with the share of a country's population of European origin ($r = .805$)—and even stronger just for former colonies ($r = .902$, $N = 52$).

Mean School Years 1870 by Colonial History and Protestant Share of Population 1980

R^2 = .645 R.M.S.E. = 1.211 N = 60. *** p < .0001 ** p < .01, model estimated with robust standard errors

Variable	Coefficient	Standard Error	t Ratio
Colonial history	-1.982****	.388	-5.11
Latin American country	.630*	.274	2.30
Percent Protestant 1980	3.732***	.818	4.56
Constant	2.143***	.373	5.75

Regression of Mean School Years 1870 by Percent Family Farms and Democratization in the Late 19th Century

R^2 = .659 R.M.S.E. = 1.226 N = 34 * p < .0001, model estimated with robust standard errors.

Variable	Coefficient	Standard Error	t Ratio
Percent Family Farms 1868	.050*	.011	4.48
Democracy 1870	.133	.104	1.28
Colonial history	.128	.356	.36
Percent European background	.021****	.005	3.92
Constant	-.548	.398	-1.38

Historical Evidence: Western Europe

- The historical record shows that European countries that developed widespread education earliest (Prussia, Sweden, Denmark, France) used schooling to teach patriotism and national identity. Universal education also marked a break with older patterns of training that reinforced the powers of the church, the guilds, and the family.

- In Italy, education remained the responsibility of regional authorities. There was no attempt to use it to build a superordinate identity—and there was no enforcement of an 1859 law that was supposed to spread education to the entire population.

Historical Evidence: Outside Western Europe

- Almost all of the countries in our sample outside the West were colonies or former colonies in 1870. The mean level of education for non-Western countries was .44, less than a half a year of schooling, compared to 3.5 for the West. The publics in only five Western countries (Portugal, Italy, Japan, Greece, and Finland, in descending order) had fewer than a year and a half of schooling on average, while only four non-Western countries (Argentina, Bulgaria, Uruguay, and Hungary, in ascending order) had publics with that much education. Almost a century and a half later the mean level of corruption for the OECD countries was 7.64, compared to 3.14 for other countries. Even the modest level of education in Italy in 1870 (an average of .84 years) was greater than most colonies or former colonies.
- Fifty-two of 57 countries were colonies or former colonies. The exceptions are China, (South) Korea, Thailand, Russsia, and Turkey.

- Education levels were low in British and French colonies—primarily in Africa and Asia-- were very low because the colonial powers were more concerned with extracting resources from their colonies and did little to establish institutions that would enhance the lives of their subjects. Colonists had no access to independent institutions of governance, much less of tax revenue, to finance their own schools.
- Throughout the British and French colonies, the vacuum in state-provided education was left to missionaries or settlers to provide or to local authorities. These private and local suppliers of education had limited resources and often less commitment to educating Asians and Africans

- In North Africa, the French colonialists met with resistance from the indigenous population, who often refused to send their children to the handful of schools established, which emphasized French language and culture and did not permit any instruction in Islam. In much of Africa, traditional education was oral, not written, designed to teach young people the skills needed to survive in an agrarian society, but the colonists did little to respect this heritage. The few students who did receive public education were almost all boys. Education was barely provided by British and French colonists, other than missionaries, who had few resources. The indigenous people neither had their own state nor a fair state run by the colonial powers

- Spanish colonialism—and to a lesser degree Portuguese rule in Brazil—actually placed a greater emphasis on providing education (and other services) to the population. The Spanish parliament (Cortes) decreed that universal free public education be made available to every community in Cuba with at least 100 residents; 21 years later a plan was adopted shifting all education from private to public control.

- Where the indigenous population remained dominant, the Spanish colonial regime exploited indigenous labor and provided much lower levels of education. Education was a benefit to the Spanish migrants to Latin America, who were far more numerous than either British or French settlers in Africa or Asia. When these nations became independent, their own governments took on this responsibility.

- In many independent countries (such as Turkey, China, Japan, and Korea) the state did not assume responsibility to provide education. Only a small share of the population received education provided by the military, religious authorities, or local nobles . Hungary and Bulgaria, with the highest level of education among the independent nations, had state-supported secular education by the middle of the 19th century

The Roots of Path Dependence: European Settlers

- Europeans took the lead in the provision of widespread schooling. Public education outside Europe largely took place where colonial powers permitted—and encouraged—migration from Europe.

- Engerman and Sokoloff (2002) argue that colonial powers in the Americas extracted resources when they were available—either coercing natives to mine gold and silver or slaves to work the large farms producing sugar and cotton. Immigration was sharply restricted in these colonies. Where there were sparse native populations, either because of settlement patterns or diseases contracted from contact with European settlers (Easterly and Levine, 2012) and climates better suited to small-scale farming —the United States, Canada, but also Argentina and Uruguay), the colonial powers encouraged immigration from Europe. European immigrants "demand[ed] rights and protection similar to...those in the home country" (Acemoglu, Johnson, and Robinson, 2002, 1266). Easterly and Levine (2012) show that the European share of the populatation at colonization explains more than half of the variance of contemporary per capita income across 112 countries; the effect, they posit, largely reflects historical levels of education.

- Outside the New World, there were few European immigrants (and almost no provision of public schooling).

Is Path Dependence Forever?

- Our short answer is “no”. We saw in the regression in Table 3 that change in mean school years from 1870 to 2010 shapes the level of corruption in 2010 as well as do historical levels of education. Three nations with middle-to-low levels of education in 1870 showed the largest increases over time: Finland (10.6 year increase), South Korea (11.8), and Japan (12.2). Contemporary Finland ranks among the four very least corrupt countries at 9.2. Japan is tied for 17th and South Korea is tied for 39th place. These are all much higher transparency scores than we would expect based upon their 1870 levels of education (1.45, 1.11, and .97. respectively).

- The bad news for countries seeking to engineer boosts in education is that each country seems to be responding to external threats and the following need for state-building, which Aghion *et al.* (2012) found to be a general pattern historically. This story is consistent with Uslaner’s (2008, ch. 7) account of curbing corruption in Hong Kong, Singapore, and Botswana—Hong Kong and Singapore faced perils from China and Botswana from South Africa. Here the adversaries are both the same (China for Korea) and different (defeat in World War II for Japan and the Soviet threat for Finland). This is also consistent with analysis of how Denmark being under constant threat from Prussia and Sweden having lost a third or the country to Russia in 1809, during the mid-19th century managed to curb systemic corruption (Frisk Jensen 2008, Rothstein 2011 ch. 8).

- The movement for universal education in Korea first came as a reaction against the Japanese colonial regime in 1945. The Japanese rule sharply limited access to education in Korea, but reform attempts were put aside when China intervened on behalf of North Korea and started the Korean War in 1949. When the war ended in 1954, education spending soared as Koreans saw education as the key to economic development but the country was both economically devastated by the war and caught up in domestic protests that overthrew the military regime. Free compulsory primary education was adopted in 1954 and was achieved by 1959. An expanded public education system including free textbooks was implemented by 1971 and in 1968 the state replaced the comprehensive examination system for middle school admission with a more egalitarian lottery.

- Japan's rise in education levels was even more directly a response to external events. After Japan (and other Axis powers) lost World War II, the United States Occupation Government set out to draw a new constitution to create a liberal democracy there.

- The Finnish history is a combination of external threat, internal strife, and an ambition, after independence from Russia in 1917, to orient the country towards Western Europe and especially towards the other Nordic countries. The rapid increase of education between during the 1920s and 1930s can to a large extent be explained by a combination of the threat felt from the Soviet Union, a strong willingness to orient the country to Western Europe and the Scandinavian countries and a rapid industrialization. Another rapid expansion of education in Finland took part during the 1970s, when a large school reform was introduced.

Reprise

- The state was the vehicle for creating opportunities for people to obtain the literacy that frees them from dependence on corrupt leaders. Yet state structure was hardly autonomous. Democratic regimes did not lead to higher average levels of education. Economic equality mattered most. States could take the lead in promoting education when the distribution of resources was already more equal (measured at approximately the same time as education).

- There is a strong persistence over time in both the social welfare state and to redistribution and education. When religious institutions worked *with* the state in the 19th century, education flourished. When they themselves were the primary organization for providing education, they could not muster the necessary resources—or in some cases the interest—in providing universal education. Protestant societies were more egalitarian than were largely Catholic countries—and this was reflected the more hierarchical nature of the Catholic Church. The welfare state educated its citizens—then and now—but not just any regime became (or still is) a welfare state.

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