

# **Party Systems, Competition, and Political Checks against Corruption**

Michael Johnston

*Good politics is good government.*

-- Richard J. Daley, Mayor of Chicago 1955-1976

## **Introduction**

The new generation of corruption research emerging in the 1990s has focused more on economic variables than upon the political. Economic trends are more easily quantified than political ones, and the theoretical case for economic effects of corruption can be made and tested in a variety of ways. Moreover, much of the renewed interest in corruption has been generated by international business groups and aid or lending organizations, which are understandably concerned with economic aspects of serious corruption. As a result, politics has been treated primarily in terms of institutions (often with useful results: see Knack and Keefer, 1995) or under the broad banner of "political will" -- that is, determination on the part of top leadership to resist corruption and attack its causes. Few would dispute the need for such commitment, but even fewer have devoted extensive attention to the kinds of politics needed to sustain it.

This paper is a preliminary discussion of the ways good politics can help check corruption (see, more generally, Johnston, 1998, and Johnston, 1999). My focus is the relationship between political competition and levels of corruption; drawing upon

aggregate statistics I will suggest that high-quality, well-institutionalized political competition can help reduce levels of corruption. The connection is not always straightforward: most low-corruption countries are democracies, and highly-corrupt countries tend to be undemocratic, but the exceptions are at least as interesting as the general pattern. Understanding both the potential, and the limitations, of competitive politics as an anti-corruption strategy can not only enhance our knowledge of the developmental implications of corruption; it may also point to opportunities for reform.

### **Corruption, Democracy, and Development: Multiple Patterns**

*Happy families are all alike; every unhappy family is unhappy in its own way.*

-- Leo Tolstoi, *Anna Karenina*

Recent research, aided by a variety of quantitative measures of corruption of varying validity and reliability, has taken direct issue with an earlier tradition that pointed to positive as well as negative consequences of significant corruption (see, for example, Leff, 1964). Mauro (1997) presents evidence of marginal but significant reductions in economic growth as levels of corruption mount. Wei (1997) likens corruption to a tax on foreign direct investment. Rose-Ackerman points out that arguments about the efficiency benefits of corruption often rest upon individual transactions considered in isolation; when we consider broader effects, it becomes evident that corruption rewards inefficiency, short-circuits competition, and diverts resources and effort from productive activities into rent-seeking (Rose-Ackerman, 1996). Mauro (1997) and Rauch (1995)

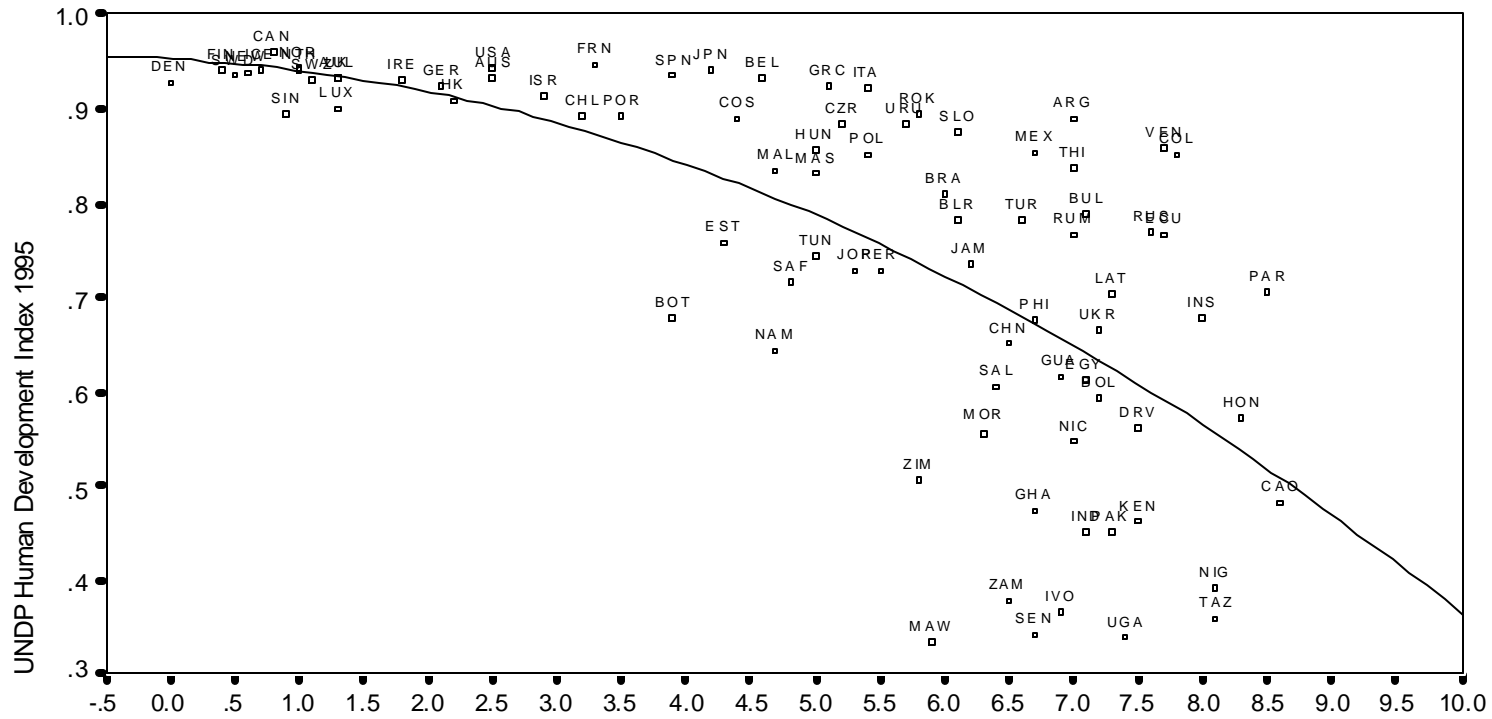
present at least tentative evidence that corruption channels resources away from human development toward rent-producing projects such as heavy construction. Kaufmann (1994; 1996) sees corruption as linked to large "informal sectors" of economies, poor tax collection, and long bureaucratic delays; far from greasing the wheels, corruption is associated with *more* inefficiency, as officials -- sensing the opportunity to augment their often-insufficient salaries -- contrive new delays and requirements. Meanwhile, investors in high-corruption states are likely to focus on short-term profits, and to keep their assets as mobile as possible (Keefer, 1996) -- scarcely a recipe for sustained development. So-called "petty corruption" is a serious concern too: demands for payments in exchange for licenses, passage along roads, and basic services help keep poor people poor, and force many small enterprises into the informal sector -- making it difficult for excluded groups to gain an economic toehold.

Political development is likely to be inhibited as well. Because corruption involves the informal use of scarce resources (money, access, expertise), it typically benefits the "haves" at the expense of the have-nots, and shifts policy processes out of the public, supposedly accountable, institutions into private networks of influence. Patronage networks may bring large numbers of people into the political process, but they do so on the terms and in the interests of the patron, not of the clients. Such machines control the poor and working class rather than empowering them, neutralizing their biggest asset -- the strength of numbers -- through the politicized use of divisible incentives (Johnston, 1979; Webman, 1973). Where corruption is entrenched civil society is usually weak; playing the role of political opposition may mean little more than cutting oneself out of the benefits, and competition can thus implode into a disorganized scramble for spoils

(see, for ethnically-divided societies, Easterly and Levine, 1996). When political change does threaten corrupt elites, hyper-corruption may result as those unsure of their hold on power take as much as they can, as quickly as they can take it (Scott, 1972: Ch. 5). Democracies do have corruption, of course. But they also benefit from an underlying consensus on the rules, from independent law enforcement bodies, news media, and political oppositions, and from the voters' ability to throw out the government without threatening the constitutional regime (Przeworski and Limongi, 1993).

For these reasons we might expect to find straightforward connections among corruption, poor economic development, and undemocratic politics. But while considerable evidence, both statistical and anecdotal, supports the broad outlines of this view, there are enough exceptions to suggest that we still have much to learn. East Asian countries, for example, coupled extensive corruption with very high levels of economic growth for many years, while African states suffered. The two most widely-discussed anti-corruption success stories -- Hong Kong and the Philippines -- both took place in city-states, and neither in a democracy. Democratization in places as diverse as Central Europe and the Philippines did not directly reduce corruption; if anything, those nations experienced a surge of scandal as established corrupt relationships gave way to a fragmented scramble for spoils, and as increasingly independent jurists and journalists mounted new investigations while political rivals moved to settle old scores. Italy in particular is a fascinating case: it is an established democracy with a strong economy but has a long tradition of corruption, and its scandals over the past decade have shaken the foundations of the political system.

The complexities of these patterns become more evident if we consider the following scatter plot comparing 83 countries on two variables. The vertical axis represents the United Nations Development Program's 1995 Human Development Index (HDI); the horizontal is the Transparency International Corruption Perceptions Index, "inverted" (by subtracting the TI scores from ten) so that higher values indicate higher levels of corruption. The HDI is a weighted composite of indicators not only of affluence, but also of quality-of-life factors such as education, literacy, and life expectancy. The TI scale -- the most widely-employed of the many corruption scales to emerge in recent years -- is a survey of surveys: a variety of corruption indices are pooled, averaged, and standardized. This scale is an approximate ranking at best.



Inverted TI Scale (10 minus index)

1995 HDI: <http://www.undp.org/hdro/98hdi1.htm>

1998 TI Index: <http://www.transparency.de/documents/cpi/index.html>

High levels of corruption are indeed linked to developmental difficulties: the linear correlation between corruption scores and HDI is strongly negative ( $r = -.6709$ , one-tailed  $p=.000$ ). There are no low-corruption, low development societies on the plot; moreover, there is a concentration of affluent democracies in the low-corruption, high-development area in the upper left. But beyond a "tipping point" of about 4 on the scale of ten (an arbitrary number to be sure) things are different. Here we find a wide scattering of countries with moderate-to-high levels of corruption -- including many of the world's poorest and least democratic societies. The quadratic regression line suggests that as levels of corruption increase, HDI levels decrease more and more precipitously.

But there are also obvious complications. There is a cluster of successful, affluent democracies in the upper left, as noted: happy families happy in the same ways, with a variety of factors reinforcing to produce affluence, democracy and low corruption (Johnston, 1998). But Singapore -- nobody's democracy -- is also located in that quadrant; moreover, there are high-HDI countries at all levels of the TI scale. Further to the right, the most striking result is diversity: there are moderate- to high-corruption societies at many levels of HDI. Here, the unhappy families seem to be unhappy in their own ways, with some perhaps much less unhappy than others. Causation is complex as well: the void in the lower left might suggest that reducing corruption makes high levels of development nearly a certainty, but it seems much more likely that countries successful at development have the institutional and political capacity reduce or mitigate corruption in the process of addressing a broad range of challenges.

This last idea may bear more thought. It suggests that (a) serious corruption is embedded in a much broader set of interlinked development difficulties, and (b) the countries in the upper left have the capacity to address those difficulties comprehensively. In part this may be a function of affluence -- economically successful societies are more likely to have strong civil societies, the resources to deal with a variety of problems, and an economy that offers people alternatives to being exploited by corrupt officials and their clients. And indeed, real GDP per capita is the strongest single predictor of corruption scores for the countries in the plot above, with a simple correlation of  $-0.85$  ( $p = .000$ ). But again causation is complex: affluent societies may be better able to control corruption, but if the economic evidence discussed above is valid, those that can control corruption have a better shot at affluence. And what do we make of cases such as Italy, Greece, the Republic of Korea, or Argentina -- democracies (some in various stages of consolidation) whose HDI levels are higher than their corruption scores would lead us to expect?

All of this is consistent with the notion that other factors -- "governance", "state capacity", or political institutionalization -- also influence the types and amounts of corruption a society experiences. In the following section I will take up just one aspect of that possible connection -- the possible significance of political competition.

## Participation, Institutions, and Balance

Many democracies are affluent societies with moderate to low corruption, while in some other countries undemocratic politics, poor economic development and serious corruption seem to perpetuate each other. But as the scatterplot shows, this pattern is far from universal, and market and democratic institutions do not guarantee success. Where democracy and growth do support each other, I suggest that such synergy is driven by open yet structured competition *within* the economic and political arenas, and sustained by institutionalized boundaries and paths of access *between* them. We would expect competition to enhance the vitality of markets and accountability in the political realm, and to weaken the ability of political and economic interests to dominate their own arenas or intrude unduly upon the other. Citizens who have economic and political alternatives are in a better position to resist corruption (Alam, 1995). But while competition must be vigorous, *it must also be of high quality*. That is, it must be fair and well-structured, engaging real interests and groups in society. Total *laissez-faire* in the economic realm is likely to enrich the few and impoverish the many. In politics, a free-for-all will likely produce a state of political insecurity in which politicians, unsure of their hold on power, enrich themselves as quickly as they can (Scott, 1972; Knack and Keefer, 1995). Significant power must be won and lost through the process: simply changing governments without altering the underlying distribution of (and channels of access to) power is unlikely to check corruption. A balance between active participation and sound institutions is thus essential.

The notion of high-quality competition is complicated, because the political and economic arenas are asymmetrical in significant ways. Democratic politics rests not only on open competition, but also on normative, and institutionalized, assumptions of equality, encapsulated by the notion of "one person, one vote". Self-interest may drive the process, but it is assumed that private interests will contend in well-regulated ways, and that in the end democratic processes will not only respond to them, but also *aggregate* them<sup>1</sup> into broadly-accepted public policies. Markets, by contrast, incorporate few presumptions of equality, either in process or outcome; such procedural rights and mechanisms of accountability as exist are grounded primarily in ownership, not citizenship. Gains are presumed to be private and separable, rather than aggregated and public. Competition, while open to new participants, is continuous and less structured than politics, with more uncertain outcomes; losers are routinely driven out of markets, and winners enjoy advantages, in ways that lack real political parallels. Political regimes hold power over a limited territory and population, while markets are increasingly global and can override official policies and political mandates.

If these asymmetries -- which rest on normative foundations in many respects -- did not exist, corruption would not be a problem: more or less anything, including official power, could be bought and sold under a common set of rules, and public office could be used like any other resource in the pursuit of private gain. But exist they do, and thus ordered relationships between the political and economic arenas are just as important as vigorous competition within them. There must be clear, and accepted, boundaries and

---

<sup>1</sup> I thank Dr. Salvador Valdes-Prieto, Centro de Estudios Publicos in Santiago, Chile, for his comments on this point.

distinctions between state and society; public and private roles and resources; personal and collective interests; and market, bureaucratic, and patrimonial modes of allocation (Johnston and Hao, 1995). In well-institutionalized systems there are realms where official power may not intrude, and there are things that may not be bought and sold. Where such boundaries exist, free interaction within each realm is more secure: it will be more difficult for economic interests to turn politics into an auction, and for officials to plunder the economy. But the two arenas cannot and should not be utterly separate: there must be legitimate access between them. Policies must respond to social and economic realities; self-interested behavior must be subject to the rule of law. Institutions must have some degree of *autonomy*: both political and economic decision makers need -- within broad limits -- to act authoritatively and in an uncompromised manner. But paths of access must also be open enough to link the political and economic arenas in regularized, legitimate ways. If they are not -- as in contemporary China, where new market forces have few legitimate ways to influence the still-powerful (if increasingly fragmented) bureaucracy -- they will be created corruptly.

Political Competition as a Check against Corruption. While there are many kinds of institutions providing legitimate linkages and maintaining sound boundaries in modern societies -- bureaucracies, the news media, jurists and prosecutors are just a few -- political parties are of particular importance. More than most other institutions, they are central to the aggregation function performed above; they both convey important preferences from society to government, and help earn legitimacy for and compliance with official policies. They are potentially important mechanisms of accountability and

---

bureaucratic oversight, and managers of the electoral process. Serious corruption involves the contrivance or protection of various kinds of monopolies (Rose-Ackerman, 1978; Klitgaard, 1988); competitive politics is a way to guard against such monopolies, or to weaken them where they exist. Strong government parties can discipline both elected and appointed officials, while strong oppositions can check the government, offering an organizational vehicle and political alternatives for citizens seeking change.

Significant and institutionalized political competition creates opportunities for political forces to win *or lose* power through publicly visible processes. Well-institutionalized, competitive parties may thus develop an interest in credible action against corruption, both in the political arena and through independent judiciary and in investigative agencies. They can encourage, protect, and follow through on direct responses to corruption by citizens and civil society groups -- building resistance to corruption in civil society, in place of the kinds of evasive or illicit responses common where citizens are vulnerable to exploitation and have little political recourse (Alam, 1995). Competition will be beneficial even if the major groups do not represent everyone in the country. England's seventeenth century parliaments, for example, played major roles in resisting the abuses of royal patronage both before and after the civil wars, even though they were strikingly unrepresentative by modern standards (Peck 1990).

We must distinguish here between competition and *insecurity*. The latter, as noted, can lead to voracious corruption when officials do not know how much longer their power will last (Knack and Keefer 1995; Scott 1972). Why should the threat of

losing power through political competition be any different? The answer lies in the way in which it is lost and won, and in what happens next. Insecurity—the threat of a coup, for example—means that the identity and strength of one’s opponents, and their timing and tactics, may be difficult to know or predict. Uncertain timing is of particular importance, as it creates an incentive to enrich oneself as quickly as possible. The issues and grievances involved are likely to be personal or factional, and thus resistant to negotiation or compromise as they are aimed at overall dominance. When power is lost, it is lost altogether and permanently: rather than remaining as an opposition group or coalition partner, the losers may be killed, imprisoned, or exiled. The contest, therefore, is not just for spoils, but for survival.

Political competition, on the other hand, involves known opponents, tactics, and timing. The broad outlines of competitors' strengths, appeals, and support are discernible, and competition, if well-institutionalized, takes place within agreed rules and social norms. Many of the main issues are addressable through routine policy, are open to compromise, and can be made matters of public commitment—facts that encourage accountability and active oversight of policy formation and implementation. While the winners obtain agreed-on powers for a limited period of time, the losers remain to fight another day—an incentive in itself to refrain from last-minute looting of the public purse. Political competition is quite different from political insecurity, and creates incentives to avoid, rather than to indulge in corruption. But such competition is a matter of contending forces, not just institutional architecture: where opposition is weak, elected elites engage in entrenched corruption too. Doig (1984) cites examples such as County Durham in

England to suggest that in many democracies, the most entrenched corrupt processes are often found in politically uncompetitive locales (but for contrary findings, see Schlesinger and Meier, forthcoming, 2000).

Competition, of course, can give rise to corruption problems of its own, as recent political finance scandals in many democracies demonstrate. Moreover, not just any kind of competition will do. It must be meaningful, but structured: one party presents no choice at all, but a swarm of small parties will not likely be able to govern, or indeed to have agendas much broader than the personal interests of their leaders. Indeed, winners would likely use their tenuous hold on power for self-enrichment, while other contenders might resort to corrupt activities in order to build a following. The organizational strength of parties is important too: where parties are internally divided along factional lines or cross-cut by other loyalties (ranging from ethnic divisions to ideological fights to the influences of localism in societies such as the United States), or where electoral systems encourage intra-party contention, as during most of the postwar era in Japan, competition becomes less decisive. Splinter groups of losing parties may cut deals with the winners, while factions of the governing party may demand side-payments of their own in exchange for their "loyalty". The leverage of such factions will be increased where electoral laws or political realities tend to deliver small majorities. Party discipline may thus become a matter of distributing patronage, policy spoils, or outright bribes. Coalitions of parties too might lead to corrupt deal-cutting among leaders. Weak, divided parties will be less effective at bureaucratic oversight; indeed, factions or leaders within them may seek corrupt alliances with bureaucrats. The possible variations are numerous;

the point is that the notion of political competition as a limit on corrupt activity presupposes a particular kind of competition: orderly, fair, decisive competition among a small-number of well-institutionalized parties with strong links to significant, lasting groups and interests in society. Where competition falls short of this ideal, it may not reduce corruption, but rather lead to more of it.

### **Party Systems and Corruption**

The extent and quality of political competition in various countries are part of a growing concern over the vitality of democracy. Mair and Katz (1997: 108), for example, write of "...a new type of party, the cartel party, characterized by the interpenetration of party and state, and by a pattern of inter-party collusion." While they are concerned with many issues besides corruption, we might well expect that "interpenetration" of parties -- as aggregators and articulators of private interests -- and the state would create, or protect, a range of potentially corrupt connections between wealth and power, and that such parties would do little to check each other's abuses. Colluding parties are never wholly in or out of power; there is little to gain, and potentially much to lose (both legitimate and illegitimate) by disrupting the linkages and deals that sustain the cartel. Elections may reshuffle personnel and bring about symbolic change, but corruption could remain deeply embedded in elite alliances and patterns of interaction.

In Italy in particular a kind of cartel situation seems to have helped shape and sustain corrupt dealings. Colazingari and Rose-Ackerman (1998) have described the situation succinctly, noting

...the similarity between political and economic life in Italy. Large companies felt secure because of their privileged relationship to the state, and political parties were similarly secure with stable niches in the political structure. Italy's paternalistic state-protected industry and paradoxically the fragmentation and ideological polarization of the political system protected the ruling parties from turnover, making them unaccountable to the electorate (Colazingari and Rose-Ackerman, 1998: 448).

Polarization led to stalemate in the form of a working consensus among major non-communist parties that the PCI was not to become a partner in government. The Christian Democrats, while never winning an outright majority, were "...the only large party capable of forming a government coalition. As a result of its secure position, the DC did not need to be accountable to the voters. Forced to govern by coalition, it formed governments with different parties at different points in time and shared the benefits of political power with them" (*Ibid.*, 449-450). Collusion even benefited the Communists: in Milan, for example, the major parties cut them in on the spoils as a way of maintaining the status quo (*Ibid.*, 450). Governments came and went, but underlying the situation was a mutually profitable political cartel. Przeworski and Limongi (1993) are correct in pointing out that a strong point of democracy is citizens' ability to change the government without bringing down the fundamental political order, but changes of government that alter nothing other than personnel will do little to check corruption.

"Cartel parties" are not the only form of impaired competition to facilitate corruption. In Japan the party-list system of elections long encouraged candidates within major parties, such as the LDP, to compete with each other more than with opposing parties. Lacking distinctive policy positions, they often resorted to extravagant vote-buying or to factional deals with major business interests. In the United States, a loosely-disciplined party system is made more so by the preeminent role of state and local interests in many policy debates, and by a campaign-finance system that in effect turns candidates into free agents. Current laws restrict campaign contributions to unrealistically small amounts, making fundraising a full-time concern. Legislation is a disjointed process of logrolling and side payments -- some, in the form of policy concessions, others in the form of campaign contributions, with some of the latter bankrolled by party leaders' personal Political Action Committees. Popular suspicions that roll-call votes are put up for sale to the highest bidder are misplaced, but the incentives for candidates officials to seek collective party mandates based on coherent policies are nonetheless weak.

The result of this intense individual scramble, ironically, is reduced party competition. Candidates build free-standing campaign organizations aimed mostly at protecting their own seat -- often using the disclosure provisions of the law to demonstrate their fundraising prowess to erstwhile competitors. Cumulative incumbent advantages and favorable redistricting further reduce the chances for defeat. Thus, in the midst of the Clinton impeachment debate, *The New York Times* noted that

"In the insular world of the House of Representatives, few members really have to fear the other party. Districts are drawn for continuity, not contests. Among the Republicans re-elected last month, for example, only 10 won with 52 percent or less of the vote. Among the Democrats, only five (*New York Times*, 13 December 1998, p. 45).

Some of the most significant conflicts over impeachment took place *within* the Republican party; there, a number of wavering moderates were brought into line by the threat of primary-election challenges supported -- and funded -- by their own party leaders' PACs.

Claims of reduced party competition might seem paradoxical in light of the deeply-partisan impeachment debate, but I would suggest that the lack of real party competition *at the district level* left zealots largely unchecked by the threat of losing their seats. Meanwhile the stalemate between the two major parties nationally makes it tempting to substitute scandal for policy initiatives and genuine oversight. The state of political competition in the United States is not encouraging from the standpoint of building good government through good politics.

#### Preliminary Evidence

Do democracies with impaired political competition have more corruption, then? A very preliminary judgment can be made by comparing the TI Corruption Perceptions Index figures discussed earlier with an index of political competitiveness available in the Polity

III database.<sup>2</sup> PARCOMP is an index ranging from 1-5, assessing the degree of organization and competitiveness of political participation outside the realm of the state. As such it is a useful approximation of the state of political competition (if not a nuanced verdict on the quality of that competition in any one country). The simple correlation between PARCOMP and the "inverted" TI index for our 83 countries is  $-.61$  ( $p = .000$ ): extensive, organized competition tends to coincide with lower levels of corruption. But neither politics nor corruption develops in isolation; they reflect the broader state of society. Indeed, when PARCOMP is entered in a regression equation as an independent variable along with real GDP per capita -- the strongest predictor of TI corruption scores -- GDP becomes a strong negative predictor and PARCOMP is not statistically significant.

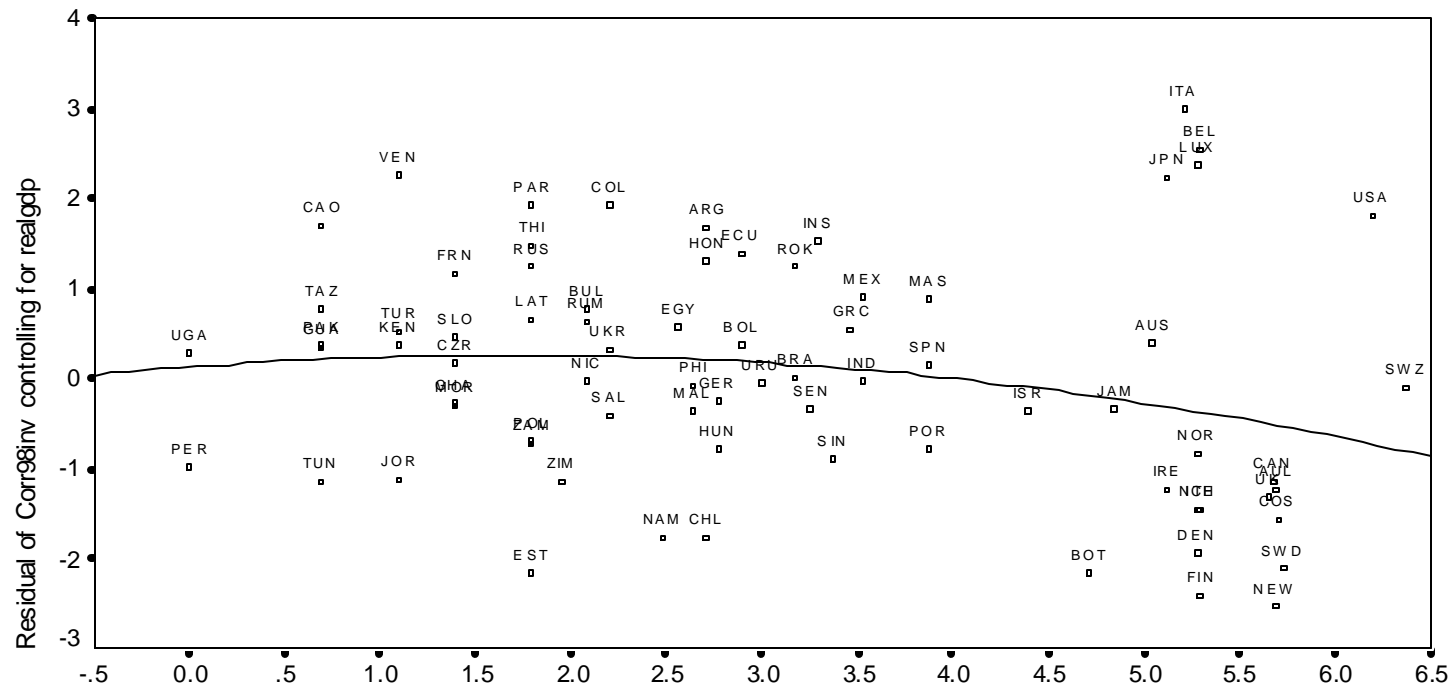
But that may not be the whole story. Any corruption-checking effects of sound party competition would seem to be long-term in nature, reflecting the cumulative impact of the logic and incentives of competition upon the choices of political and economic actors, and in some countries competition has been institutionalized much longer than in others. Second, the regression noted above estimates *linear* relationships among variables; it is possible that other patterns exist. As a result, I conducted another kind of analysis. First, I calculated a residual of the TI index, controlling for GDP per capita. This not only controls for the most likely confounding variable as we compare party systems; in addition, if party systems are important linking/boundary-maintaining institutions between wealth and power, variations in levels of affluence are likely to

---

<sup>2</sup> The data and documentation are available at <http://www.colorado.edu/IBS/GAD/spacetime/data/Polity.html>.

affect the kinds of economic pressures bearing upon the political system. Also, the Polity III database contains an estimate of how long a given "polity" (as opposed to a state or regime) has been in existence (as of 1994) in the form summarized by the data. This I used to estimate the institutionalization of competition, by multiplying the PARCOMP score (minus one, to reset completely uncompetitive systems to zero) by the number of years a given polity has been in place. Because early phases of institutionalization are likely to be critical -- that is, more institutionalization of a party system should take place between years 5 and 10 than between years 105 and 110 -- I then calculated the natural logarithm of the resulting measure.

The result is the scatter plot appearing below. On the Y axis are the values for the residual corruption score controlling for wealth: values above zero mean that a country had a higher corruption score than we would expect on the basis of wealth alone, while values less than zero correspond to less. On the X axis are the logged values of my rough index of institutionalization of competition (PARCOMP times years of duration of a given polity).



Institutionalization of Party Competition (Nat. log)

Party data from PolityIII database:

<http://www.colorado.edu/IBS/GAD/spacetime/data/Polity.html>

The data present some intriguing patterns that at least help frame important issues for more detailed research. For example, the largest scattering of data points shows that residuals are greatest -- both positive and negative -- where competitive party systems exist, but are least institutionalized. This does not in itself mean that absolute levels of corruption are high, but may suggest that where politics is uncompetitive and/or poorly institutionalized, many other factors affect levels of corruption. As institutionalization proceeds along the X axis, however, the points cluster closer to the value of zero -- that is, closer to the corruption levels we would predict based upon a country's affluence. This suggests that to the extent that there is a link between affluence and lower levels of corruption (as indicated by the strongly negative simple correlation between GDP per capita and the corruption index, and by the clustering of affluent countries in the upper left of the HDI scatter plot), such synergy is better realized where party systems are competitive and well-institutionalized.

A further speculation -- one that the data may suggest but cannot test -- flows from the fact that *negative* as well as positive residuals tend to decrease as institutionalization increases. The data here are a snapshot, and not an account of how particular countries change over time; still, it is worth asking whether the rise and institutionalization of competitive politics reduces some kinds of corruption while increasing or facilitating others. Egregious political or economic abuses by top government officials, for example, might be checked by competitive politics, or at least the malefactors could be removed. But the rise of competitive politics might also

contribute to corrupt activities and influence by donors to parties, certain kinds of vote fraud, and so forth. This remains conjectural for now, but is an interesting hypothesis.

I find two clusters of countries toward the right-hand side of the scatter plot of particular interest. In one, several established democracies -- Italy, Japan, Belgium, Luxembourg (and possibly the USA?) -- have higher levels of corruption than we would expect on the basis of affluence. In another larger group, thirteen countries -- Norway, Iceland, Botswana, Denmark, Finland, Sweden, New Zealand, Canada, the United Kingdom, Ireland, Australia, the Netherlands, and Costa Rica -- all have less corruption than their GDP-per-capita levels would predict. Neither cluster is wholly homogeneous, nor can we be certain without further analysis precisely what (if anything substantive) might account for their higher- and lower-than-expected corruption rankings. But several of the high-residual countries do have party systems characterized by impaired competition. The situations in Italy, Japan, and the United States were briefly outlined above; Belgium's complex ethnic divisions have been papered over for many years by settlements brokered among parties and elites rather than aggregated (or changed) at the ballot box. Luxembourg has been governed by essentially a constant grouping of parties, through carefully orchestrated coalitions, since the end of World War II (Dumont and DeWinter, 1999). In these countries parties are unlikely to win or lose power altogether; in many of them the competing factions are able to retain fragments of power, and to take part in the legislative process, though side-payments and compromises that further weaken the potentially corrective effects of competition. In the lower-residual cluster, by contrast, parties tend to be more tightly organized and to compete in elections that confer

decisive results. Few of these countries exhibit any characteristics of a "cartel parties" syndrome. Data give some preliminary support to this account. The POLCON dataset, assembled by Witold Henisz,<sup>3</sup> contains useful measures of the numbers of parties in various houses of parliament, party development, and the fragmentation of parliamentary bodies as measured by the distribution of seats among various numbers of parties (the dataset is described in detail in Henisz, 1999). These numbers suggest that the two clusters may be worth further study. Countries in the high-residual cluster had a score of .809 on a zero-to-one scale of party fragmentation in their lower houses (or .744 if the USA is included in this group) calculated in 1994, compared to a figure of .597 for the low-residual countries. In the lower houses of the high-residual group, an average of 9.5 parties held seats in 1994 (8.2 if the USA is included), while in the low-residual group the figure is 5.8 parties. The numbers of countries in each group are so small that tests of statistical significance would not be meaningful, and data such as these reduce complex political realities to single numbers. Still, these results support the notion that both quantity *and quality* of party competition matter in terms of checking corruption.

Two other differences between these clusters are worth noting. One has to do with the sizes of the societies involved in each. Daniel Kaufmann (1997), borrowing from epidemiology, has argued that smaller societies find it easier to control corruption than do larger ones. This might be so because of logistical as well as political factors, or because a durable national normative consensus might be less likely to be cross-cut by local and regional issues. The high-residual cluster is only partly consistent with this hypothesis:

---

<sup>3</sup> I gratefully acknowledge the help of Philip Keefer at the World Bank, who made these data available to me.

Italy and Japan are larger societies, as is the USA if we include it in this group, but Luxembourg and Belgium are not. All but one (the UK) of the low-residual countries are small, however. The second contrast reflects some of the developmental costs of corruption. The HDI data include a comparison of countries calculated by subtracting their rank on GDP per capita from their rank in terms of the non-GDP components of the scale (such as education, life expectancy, and so forth). A positive ranking indicates that a country ranks higher on the quality-of-life indicators than wealth alone would predict, and a negative ranking indicates that it falls lower. For the high-corruption cluster in the scatter plot this ranking averages -5.6 with the USA included in the group, and -6.7 with the USA excluded; for the low-corruption cluster the average is +6.9. Countries with serious corruption are apparently less effective at human development than their wealth would predict, while those with institutions and political processes capable of reducing corruption also seem capable of delivering a higher quality of life.

#### **IV. Conclusion**

As already noted, these data and results do more to frame questions than to answer them. A range of other variables not yet included or controlled, and tricky problems of simultaneity among factors in political and economic development, further complicate matters. It will also be important to track these contrasts over time to ensure that they are sustained rather than ephemeral.

Still, these results justify further consideration of the connections among party systems, amounts and quality of political competition, and types and amounts of corruption. The significance of what we may learn should not be underestimated: while much is known about specific institutional reforms that can reduce corruption, and we have learned a great deal about some of the economic origins and consequences of the problem, we are only beginning to understand what makes reductions in corruption *sustainable*. As noted at the outset, much is written about "political will" as a factor in reform; what is much less well-understood are the ways such commitment can be encouraged and rewarded. This is a significant question historically, as well as for reform -- many of today's low-corruption societies once had very serious corruption which declined as politics became more intense and broad-based (Johnston, 1993): what kinds of causal connections were involved, and can they be replicated in new democracies today?

It is one thing to identify such patterns in retrospect, and quite another to say where countries stand in such a process at any given time. Were Italy's scandals in the 1990s bad news -- conclusive evidence of pervasive, entrenched corruption -- or are they good news -- evidence of gathering anti-corruption strength, and of the end of the old party cartel? Will changes in electoral laws in recent years, intended to produce more decision election results and true alternation in power along party lines, help reduce corruption? A careful comparative analysis of the state and quality of party competition, based upon detailed case study and historical as well as contemporary evidence, will aid us in making those sorts of judgments.

## References

- Alam, M. S. 1995. "A Theory of Limits on Corruption and Some Applications." *Kyklos* 48(3): 419–35.
- Colazingari, Silvia, and Susan Rose-Ackerman. 1998. "Corruption in a Paternalistic Democracy: Lessons from Italy for Latin America". *Political Science Quarterly* 113:3 (Fall), pp. 447–470.
- Doig, Alan. 1984. *Corruption and Misconduct in Contemporary British Politics*. Harmondsworth: Penguin.
- Dumont, Patrick, and Lieven De Winter. 1999. "Luxembourg: Stable Coalitions In A Pivotal-Party System". unpublished manuscript.
- Easterly, William, and Ross Levine. 1996. "Africa's Growth Tragedy: Policies and Ethnic Divisions." World Bank, Policy Research Department, Macroeconomics and Growth Division, Washington, D.C.
- Henisz, Witold J. 1999. "The Institutional Environment for Economic Growth". University of Pennsylvania: unpublished manuscript.
- Johnston, Michael. 1999. "Corruption and Democratic Consolidation". Presented at a Conference on "Democracy and Corruption", Shelby Cullom Davis Center for Historical Studies Princeton University, March 12.
- Johnston, Michael. 1998. "What Can Be Done About Entrenched Corruption?", pp. 149-180 in Boris Pleskovic (ed.), Annual World Bank Conference on Development Economics 1997. Washington, DC: The World Bank, 1998.
- Johnston, Michael. 1993. "Political Corruption: Historical Conflict and the Rise of Standards." In Larry Diamond and Marc F. Plattner, eds. *The Global Resurgence of Democracy*. Baltimore: Johns Hopkins University Press.
- Johnston, Michael. 1979. "Patrons and Clients, Jobs and Machines: A Case Study of the Uses of Patronage." *American Political Science Review* 73(2): 385–98.
- Johnston, Michael, and Yufan Hao. 1995. "China's Surge of Corruption." *Journal of Democracy* 6(4): 80–94.
- Kaufmann, Daniel. 1997. "Are We Being 'Good' or Smart in the Fight against Corruption?" Paper presented to the VIII International Anti-Corruption Conference, Lima, Peru (September).
- Kaufmann, Daniel, and Aleksander Kaliberda. 1996. "Integrating the Unofficial Economy into the Dynamics of Post-Socialist Economies." In B. Kaminiski, ed. *Economic Transition in Russia and the New States of Eurasia*. Armonk, New York: M. E. Sharpe.
- Kaufmann, Daniel. 1994. "Diminishing Returns to Administrative Controls and the Emergence of the Unofficial Economy: A Framework of Analysis and Applications to

- Ukraine.” *Economic Policy*. pp. 51-69.
- Keefer, Philip. 1996. “Protection Against a Capricious State: French Investment and Spanish Railroads, 1845–1875.” *Journal of Economic History* 56(1): 170–92.
- Klitgaard, Robert. 1988. *Controlling Corruption*. Berkeley: University of California Press.
- Knack, Stephen, and P. Keefer. 1995. “Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures.” *Economics and Politics* 7(3): 207–27.
- Leff, N. 1964. "Economic Development through Bureaucratic Corruption." *American Behavioral Scientist* 8(3) (November), pp. 8-14.
- Mair, Peter (with Richard S. Katz). 1997. "Party Organization, Party Democracy, and the Emergence of the Cartel Party". Ch. 5 (pp. 93-119) in Peter Mair, *Party System Change: Approaches and Interpretations*. Oxford: Clarendon Press.
- Mauro, Paolo. 1997. “The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis.” In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.
- New York Times*. 1998. "At the Brink, Waiting for the Undecided". 13 December, pp. 1, 45.
- Peck, Linda L. 1990. *Court Patronage and Corruption in Early Stuart England*. Boston: Unwin Hyman.
- Przeworski, Adam, and Fernando Limongi. 1993. “Political Regimes and Economic Growth.” *Journal of Economic Literature* 7(3): 51–69.
- Rauch, James. 1995. "Bureaucracy, Infrastructure, and Economic Growth: Evidence from US Cities During the Progressive Era." *American Economic Review* 85(4): 968-979.
- Rose-Ackerman, Susan. 1996. “When is Corruption Harmful?” World Bank, Washington, D.C.
- Rose-Ackerman, Susan. 1978. *Corruption: A Study in Political Economy*. New York: Academic Press.
- Schlesinger, Thomas, and Kenneth J. Meier. 1999 (forthcoming). "Variations in Corruption among the American States".
- Scott, James C. 1972. *Comparative Political Corruption*. Englewood Cliffs, New Jersey: Prentice-Hall.
- Webman, Jerry A. 1973. “Political Institutions and Political Leadership: Black Politics in Philadelphia and Detroit.” New Haven: Yale University, Department of Political Science.
- Wei, Shang-Jin. 1997. "How Taxing is Corruption on International Investors?" Cambridge, MA: Harvard University, Kennedy School of Government, mimeo.