

Does Corruption Undermine Democracy?



Source: World Bank/Philip Schuler

KEY FINDINGS:

- *Countries in the midst of democratization have the highest levels of corruption.*
- *Free and fair elections are robustly linked to lower rates of corruption.*
- *More evidence is needed surrounding whether democracy reduces corruption or corruption inhibits democracy.*

While the strongest democracies typically have the lowest levels of corruption, certain components of democracy may actually increase corruption as countries transition away from authoritarianism. It is also unclear how citizens' political engagement changes as they are informed about the extent of corruption, but evidence shows that when democratic institutions work with the people to hold officials accountable, corruption declines. A closer look into some case studies in Africa shows that there is still no definitive causal explanation for how democratic elections and corruption affect one another, although promising research methods could uncover more of the truth in the near future.

Understanding the relationship between corruption and democracy has been a long-standing goal of both scholars and policymakers. Yet, the evidence presented to date presents a murky picture. In the coarsest analysis, countries with higher levels of corruption tend to have weak or nonexistent democratic institutions, but democracies are certainly not universally free of corruption (Kolstad and Wiig 2016; Drapalova, 2019).

More nuanced analysis indicates that corruption tends to be higher in new democracies

and then tends to decline as democratic institutions consolidate. However, there is no definitive causal explanation for this trend. One explanation is that punishment for corruption is more likely under authoritarian rulers than in fledgling democracies with low voter participation and knowledge (Bäck and Hadenius 2008). Another is that certain components of democracy affect corruption in different ways. While limited freedom of expression and freedom of association seem to generate higher corruption, corruption decreases as those

freedoms become more robust. The same effect is seen with the introduction of elections that do not start out as free and fair but eventually achieve this. However, introducing any level of judicial or legislative constraints on executive power reduces corruption in a linear fashion (McMann, Seim, Teorell, and Lindberg 2019).

Countries in the midst of democratization have the highest levels of corruption

It is difficult to determine whether eliminating corruption strengthens democracy or whether stronger democracies prevent corruption. The erosion of democracies may open the floodgates to corruption if, for instance, judicial independence disintegrates and bribery becomes the preferred mechanism to negotiate policies as the political system breaks down. It could also be that factors associated with democracy such as a free press and higher economic welfare help to reduce corruption (Bäck & Hadenius, 2008). In the opposite causal direction, unchecked corruption can undermine the implementation of policies, weaken the balance of power between branches of government, and erode the integrity of elections (Drapalova, 2019).

Free and fair elections are robustly linked to lower rates of corruption

While the previously discussed explanations focus on the role of institutions in explaining the relationship between democracy and corruption, another set of theories focus on the role of citizens.

Many studies find that corruption reduces voter turnout as citizens become frustrated (Clausen et al., 2011; Carreras & Vera, 2018). Clausen et al. (2011) add that citizens in countries with higher levels of corruption are more likely to

tolerate the use of violence to accomplish political goals. Additionally, Bauhr and Grimes (2013) find that increases in transparency in high corruption countries cause citizens to withdraw from participation in political activities like joining a protest. However, citizens in diverse contexts have been found to become more engaged in the democratic process when corruption is high (e.g., Kostadinova 2009; Canache and Allison 2005).

A large body of research based on policy experiments across the world assesses whether and how democracy curbs corruption. First, elections are thought to provide a way for voters to remove corrupt officials from office, particularly when transparency arms those voters with information about who is engaging in corruption. Grossman and Michelitch (2018) find that informing voters about the corrupt acts of their elected officials does result in improved government performance (though only where elections are highly competitive), and Ferraz and Finan (2008) find that releasing government audit reports reduces the vote shares won by incumbents.

Second, monitoring of public officials can disincentivize corruption by catching it as it happens. Serra (2012) finds that combining top-down and bottom-up monitoring—that is, monitoring by both agents working in positions of authority and grassroots efforts—is more effective than either one individually.

For each of these possible mechanisms presented in the research based on policy experiments, other studies using different methods provide counterexamples, and overall results are mixed. Nevertheless, this research demonstrates that democratic institutions can mitigate corruption. For ethical and logistical reasons, experimental methodologies are limited in the ability to determine whether the reverse is true—whether administering corruption in a controlled way would hinder democracy.

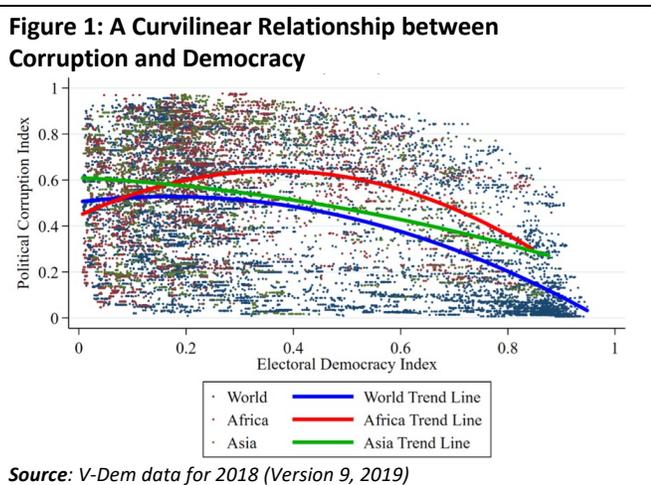
More evidence is needed surrounding whether democracy reduces corruption or corruption inhibits democracy

As shown by **Figure 1**, the most accurate way to capture the global relationship between corruption and democracy is not with a straight line, but instead with a curve. Worldwide (in blue), as democratic freedoms grow stronger and elections become freer and fairer (moving to the right on the x-axis), the trend line curves downward, approaching a closely bunched group of consolidated democracies with very low levels of corruption.

The curvilinear relationship does not hold in every region of the world, however. In Asia (in green), the relationship is much more linear than in Africa (in red), where initial improvements to the quality of electoral democracy are associated with slight increases in the PCI. While African countries demonstrate a curvilinear relationship between the level of electoral democracy and the level of political corruption, this is not the case for every democratic institution.

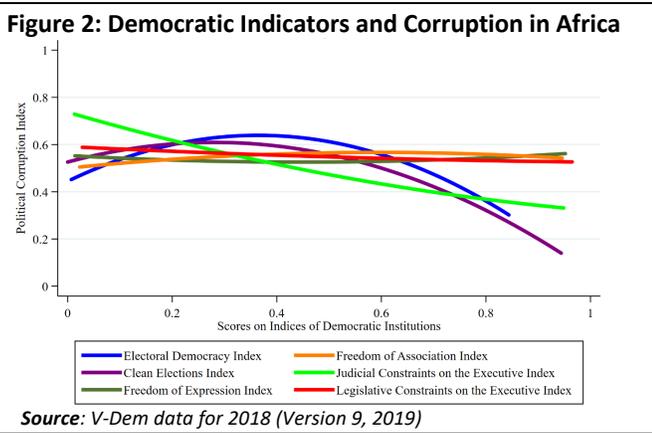
Focusing only on countries in Africa, **Figure 2** shows the relationship between V-Dem’s PCI and each of the democratic institution measures used by McMann et al. (2019). The EDI line (in blue) is the same as in **Figure 1**.

The curvilinear relationship between the EDI and the PCI is mirrored in the relationship between the PCI and the Clean Elections Index, which focuses specifically on measuring the quality of elections. The relationship between the PCI and the Judicial Constraints on the Executive Index is linear and negative, meaning that any judicial constraints are associated with lower



In **Figure 1**, each dot represents one country’s 2018 scores on V-Dem’s Electoral Democracy Index (EDI) and Political Corruption Index (PCI). Each line represents the quadratic relationship between these two indices for the world, Africa, or Asia. For the EDI, values closer to one indicate higher levels of democracy, and for the PCI, values closer to one indicate higher levels of corruption.

corruption, regardless of how developed the constraints are.

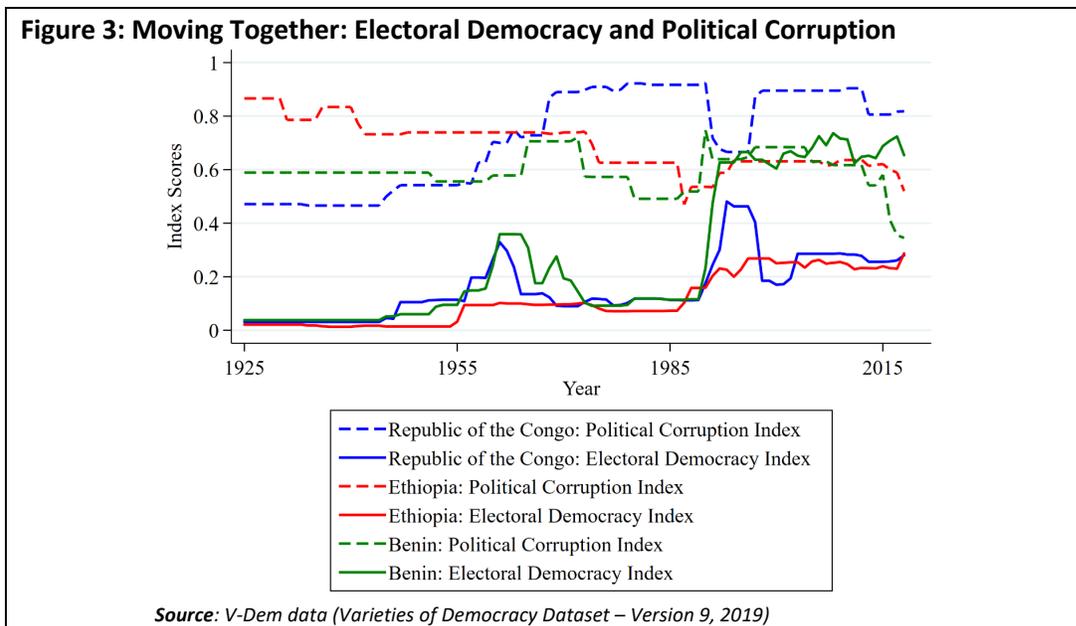


The flat lines associated with the Freedom of Expression Index, the Freedom of Association Index, and the Legislative Constraints on the Executive Index indicate that the relationship between these democratic institutions and the level of corruption is not consistent enough to provide a trend.

In sum, the curvilinear relationship seen in Figure 1 for Africa specifically appears to be

driven most by the quality of democratic elections.

Figure 3 shows how three African countries have changed in terms of both democracy and corruption since 1925. These countries were selected to represent different democratization paths while also having variation over time in both corruption and democracy. In Figure 3, each country is represented by a color, with a solid line for the trend in EDI and a dashed line for the trend in PCI, and with the year on the x-axis. Generally, these three cases demonstrate that shifts in the level of corruption occurs concurrently with shifts in the level of democracy. Neither corruption nor democracy are definitively taking the lead in shaping the other. This can perhaps be seen most dramatically in the trend lines for the Republic of the Congo in the 1990s, when a sharp jump in the EDI is mirrored almost exactly by the PCI cratering.



Moving Forward

There is still much to learn about whether it is a strong democracy that defeats corruption, or a decline in corruption that sparks the consolidation of democracy, or a reinforcing cycle. There are several promising avenues of exploration to disentangle the direction of causality. One is to engage in precise sequencing research, such as the type undertaken by Mechkova, Lührmann, & Lindberg (2019), which can help map which changes tend to lead versus lag. Another promising activity is to undertake the kinds of

policy experiments reviewed above, so as to isolate the cause and observe the effects. Second, there is still room for more investigation into which aspects of democracy are connected with which forms of corruption. It is important to undertake disaggregated analysis such as that presented in McMann et al. (2019). Learning more about components of the curvilinear relationship between corruption and democracy can help countries to avoid the spike in corruption that tends to arise during a democratic transition.

RECOMMENDED READINGS

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