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Corruption: A Modern Day Hydra

Understanding the monster through the eyes of the people

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Executive Summary

Corruption is a malaise that has plagued mankind since time immemorial. In the quest to better understand the underlying drivers of corruption, much research has been done over the years. However, in most studies, scholars and researchers have often treated corruption to be a single large entity by aggregating all aspects of it into one single measurement. Although interesting findings have been derived from these studies, the present paper considers corruption to be a deeply complex phenomenon that should be broken down to its essential components in order to develop a deeper understanding of it. Therefore, in this study, corruption shall be broken down into three categories which are namely judicial, bureaucratic and political corruption. These three forms of corruption are "same but different" as even though they all entail the deviation of norms, the scale and effects they have on the society are in fact very different.

Given that most existing literature mainly focuses on explaining corruption by using indicators that are based and derived from experts' opinion such as the Corruption Perception Index (CPI) and Control of Corruption, which are constructed by Transparency International (TI) and the World Bank (WB) respectively, this paper shall seek to fill the gap by examining and identifying the drivers of corruption through the lens of the general public by using data obtained from TI's Global Corruption Barometer (GCB). In addition, this study shall also seek to prove that people's perception of corruption offer valuable insights and should thus be used to triangulate with expert's opinion to derive a more robust and holistic measure of corruption.

This study makes use of quantitative research methods via the use of a cross sectional Ordinary Least Square statistical regression to analyze the data. The paper then hypothesizes that people's perception of corruption in the three different categories, could be explained essentially by factors that falls under experience of corruption, institutional performance and complexity, governmental and non-governmental oversight mechanisms after controlling for human development, economic performance and regional effects.

The analysis revealed that the experience of corruption, non-governmental oversights mechanisms such as the freedom of the press, as well as institutional complexity and performance are statistically significant predictors of people's perception of judicial, bureaucratic and political corruption. Furthermore, people's perception of corruption was also found to correlate fairly well with CPI and they were both observed to follow a similar trend.

As a result, valuable policy insights could be drawn from the analysis. Key policy recommendations that were derived includes the use of e-government platforms to reduce the incidence of bribery, streamlining laws and regulations to reduce complexity and red tape and finally opening up of the

media so as to ensure greater freedom of the press so that the media could fulfill its role as a watchdog. In addition, people's perception of corruption should also not be neglected and should instead be considered and used in the construction of corruption indexes by triangulating it with experts' opinion.

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Introduction

Even though corruption is considered a major disease of modern society, it is not a phenomenon that has only taken shape in recent times: corruption is an ancient monster that has been a part of human interaction since the beginning of civilization. Just like the Greek mythological monster, the Hydra of Lerna, corruption is a beast with many heads and even though all heads stem from one single body, each one of them is distinct and needs to be cut off in order to kill the monster. Research conducted over the past fifteen years has shown that bad governance, from which corruption is an important element, is a major deterrent to investment, economic growth and has had a disproportionate impact on the poor (Shrabani 2009).

In the Greek legend, cutting one head of head of the hydra made two more appear in its place and the head in the center was immortal. This made the task of killing the Hydra one of Hercules' most challenging ones and he even needed help from his nephew Ioalus. For modern day politicians and policy-makers, fighting corruption can be just as difficult: some policies designed to curb corruption in have proved to be ineffective and "despite unprecedented investment in anticorruption in the last fifteen years, […] few countries have managed to register progress" (Mungiu-Pippidi 2011: 9). Therefore, although, fighting corruption is important, a deeper understanding of the topic is required to win the fight against it.

Furthermore, drawing parallels to the hydra, corruption is also not one-dimensional and is in fact a deeply complex phenomenon. Therefore, it might be a gross oversimplification to consider corruption as a single entity. Instead, one should break it down to its main components so as to better understand the causes and thus deriving specific policy to tackle it. For this reason, the main motivation of this paper shall then be breaking down corruption into three different categories, namely judicial, bureaucratic and political and in so doing, identify the drivers behind people's perception of these three types of corruption and thus identify potential policy options to provide the panacea.

Therefore, this paper seeks to shed some light on the drivers of corruption by looking at it through the citizen's point of view and taking advantage of quantitative research methods and the most recent corruption surveys from Transparency International. Unlike the Hydra, corruption is an elusive monster and it is hard to estimate its real size. Experts may say one thing, but the citizens might have seen or heard something different. Therefore, both opinions should be considered and this paper argues that the citizens' opinions on corruption are based not only on gossip, but are also influenced by similar elements considered by experts when making their assessments. Hence, implying some form of overlap and convergence between experts' and citizens' perception.

To the knowledge of the authors, the existing literature on corruption has not attempted to triangulate perceptions from both experts and citizens as most assert that they measure essentially different things. This paper, however, sees both ways of measuring corruption as two sides of the same coin and claims that they can complement each other and help policy-makers and politicians get a better understanding of this “elusive multi-headed monster” and design better anti-corruption strategies. This paper will show that mass surveys are very useful tools in the study of corruption, because they give valid and valuable information. Moreover, complementing the expert perception measurements with citizens’ perception surveys can greatly increase our understanding of corruption and how it works on the ground.

The thesis is organized as follows: the first section explains the definitions of corruption to be used, assesses the different techniques of measuring corruption and explains the reasons why the citizens’ perceptions of corruption are important and deserve to be taken into account when explaining corruption. Section two offers a short review of the quantitative research, and explains the different hypothesis that will be tested in the statistical section. Section three shows the statistical analysis conducted to test the hypothesis. Section four analyzes the results obtained from the statistical models and proposes policy options to fight corruption. The last section offers an overview of the main findings.

Section 1: Corruption - the multi-headed monster

One of the main obstacles when working with corruption is that despite its universal existence, there is no common definition of it. Scholars have come up with several definitions: Werlin (1973: 73), for example, defines corruption as the diversion of public resources to a non-public purpose. Blackburn, Bose and Haque (2004: 5) consider public sector corruption as the ‘”illegal, or unauthorized, profiteering by officials who exploit their positions for personal gain’’. To emphasize governmental corruption, Shleifer and Vishny (1993: 2 (Fackler, 1995)), define it as ‘‘the sale by government officials of government property for personal gain’’. TI has also adopted a rather broad definition of corruption: the misuse of public office with the purpose of making private gains.

The numerous definitions of corruption are an indicator of the complexity of the topic. Corruption is basically a multi-headed monster that can assume different shapes. Thus, one of the shortcomings of the literature dealing quantitatively with corruption is that it does not differentiate between its different shapes. The most common practice in the current corruption literature is simply to aggregate the citizen’s perception of corruption into one indicator (Weber Abramo, 2007 and Roca, 2011). This methodology, although useful for the identification of general drivers of corruption, assumes that the public’s perception of corruption is evenly distributed across the different institutions in a country. This paper, however, will prove that this is not the case: Citizens distinguish between different types of corruption and therefore different explanatory variables should be used to explain their views. For the purpose of this paper, corruption has been split into three types, based on the relationship between the general public and the government. The following paragraphs provide an overview of these three types.

Political corruption refers to corrupt acts of political leaders and activities by which they exploit their discretionary power to make national policies serve their own interests. With this type of corruption, public spending is diverted to those sectors where gains from corruption are the greatest and little attention may be paid to the needs of the majority of the population (della Porta 1999: 131). Political or grand corruption takes place at the highest levels of political authority when the politicians and political decision-makers (heads of state, ministers and top officials), exploit their positions to extract bribes from national and transnational corporations, embezzle large sums of money from the public treasury into private bank accounts or when policy formulation and legislation are tailored to benefit politicians and legislators (Amudsen 2000: 18).

Bureaucratic corruption refers to the corrupt acts of the bureaucrats in dealings with either their superiors or with the public (Jain 2001: 75). In most of the cases, the public may be required to bribe bureaucrats either to receive a service to which they are entitled or to speed up a bureaucratic

procedure. In some cases, a bribe may even provide a service that is not supposed to be available (Bardhan 1997: 1333). Bureaucratic corruption is what citizens experience daily, in their interaction with public administration and services like hospitals, schools, local licensing authorities, police, customs, taxing authorities and so on. The sums involved are usually modest. For this reason, bureaucratic corruption is frequently referred to as “petty” (Amudsen 2000: 19). Even so, the sums involved may be considerable in particular cases and in aggregated terms.

Judicial corruption extends from pre-trial activities through the trial proceedings and to the ultimate enforcement of decisions of the court. It also includes the misuse of the public funds allocated to the justice system. According to TI, “judicial corruption pertains to acts or behavior or attempts that impair either the search for or the submission of the truth in the delivery of justice” (Global Corruption Report 2007: 33). Corruption in a justice system distorts the proper role of the judge, which is to protect the civil liberties and rights of the citizen, and to ensure a fair trial by a competent and impartial court. It enables public officials and special interest groups engaged in corrupt practice to function with the confidence that their illicit acts will go unpunished, if exposed. In broad terms, corruption is the misuse of entrusted power for private gain (ibid: 3).

As explained in TI’s 2007 Global Corruption Barometer,

> In corrupt judiciaries, citizens are not afforded their democratic right of equal access to the courts, nor do courts treat them equally. The merits of the case and applicable law are not paramount in corrupt judiciaries, but rather the status of the parties and the benefit judges and court personnel derive from their decisions. A citizen’s economic level, political status and social background play a decisive role in the judicial decision-making process. In corrupt judiciaries, rich and well-connected citizens triumph over ordinary citizens, and governmental entities and business enterprises prevail over citizens (ibid: 3).

In practice, political corruption might take place on arenas without the general public coming across it in their daily life, or even knowing about it. Political corruption might be incidental, controlled or concealed, as in most consolidated liberal democracies. Likewise, bureaucratic corruption may take place at the implementation end of public administration without necessarily being a part of the political system or having political repercussions. At the same time, bureaucratic and political corruption tend to coexist and to be mutually reinforcing: Political corruption is usually supported by widespread bureaucratic or petty corruption, in a pyramid of upward extraction. When the system of internal control between politicians and bureaucrats does not work to prevent corruption, the judiciary is the main institution that has to intervene in order to discover administrative illegalities and repress them.

How to measure corruption?

As shown in the previous section, defining corruption is no easy task. Therefore, it should come as no surprise that measuring it also is a big challenge. Modern research tends to agree that impacts of corruption are in all respects negative: it hurts beliefs in the political system, damages legitimacy and constitutes a major obstacle in the process of economic development. Many academics consider that public corruption constitutes one of the top harmful influences for modernization and development (Shabrani 2009: 14). Evidence of corruption, however, is hard to obtain, because of the secrecy surrounding illegal deals. Several measures have been tested across the years to obtain proxies on the extent of corruption (Pellegrini 2008: 246). There are two main approaches to measuring corruption. The approach relies on so-called hard data that provide records of actual corruption taking place. The second approach uses perceptions, typically of experts, to say something about the actual level of corruption in a given country. In the following paragraphs, these two approaches will be looked at in more detail.

The “hard” indicators

The first way to measure corruption is to rely on objective, experience- based indices. This approach has been used by some scholars who have relied on “hard” data such as bribes paid to utilities, corruption convictions or comparisons between expenditure and estimates of actual costs of certain projects. The most “objective” measures of corruption also include the use of press reports, conviction rates, judicial records, and reports from anticorruption agencies (Morris 2008: 390).

These approaches rank high in objectivity, but they are not systematic and this makes it difficult to demonstrate their validity and reliability. Trying to measure corruption through press reports, for example, can end up reflecting not the actual level of corruption in a country, but the editorial or public interest. The same is true for the validity of judicial records: they depend largely on the credibility of the judiciary, which may suffer from corruption itself. It would also be hard to determine which country is more corrupt: one with various public officials found guilty of corruption or one with no convictions. Another weakness of the objective measures of corruption is that they are hard to gather for large-scale analysis. Studies based on this type of indicators usually cover a specific area, activity or industry (Donchev 2007: 3).

The "subjective" indicators

Relying on perceptions of corruption is the second way to measure corruption. This is probably the most well-known and widely used approach. These subjective measures of corruption, despite having been extensively criticized, remain the only tool available to "measure the immeasurable". This is because corruption, similar to any other type of criminal activity, is hard to observe directly (Morris 2008: 390).

There are mainly two ways to measure the perception of corruption: The first is to rely on the opinions of experts, i.e. business executives, academics or development officials. The two most commonly used indexes of perceived corruption- Transparency International's (TI) Corruption Perceptions Index (CPI) and the World Bank's (WB) control of corruption index- use this method. These two indexes are constructed from multiple sources, but in essence they are measures based on perceptions of corruption among elite groups country experts and businesses, and it thus fails to take into account perception of the public.[1]

The second available way of measuring corruption, if one chooses to take advantage of a perception-based measure, is to ask citizens to assess the extent of corruption in their own country (Holmberg 2009: 1). Some surveys like TI's Global Corruption Barometer (GCB), for example, ask respondents whether they themselves or somebody in their household have paid a bribe, or been asked to pay a bribe. This type of surveys also asks people to assess the level of corruption of corruption in different institutions. However, this approach of measuring corruption has been highly criticized. It has been argued that citizens' opinions provide a "limited, if not false, picture of the phenomenon and that experts' opinions, being informed by a broader set of information, furnish better insights on what is happening in any given country" (Weber Abramo 2008: 42).

Just like the more objective measures of corruption, the perception indexes are not free of measuring errors and they have been severely criticized by many scholars.[2] One of the main criticisms towards these surveys is precisely their subjectivity and their measurement errors. Just as an example, if the respondents interviewed in these surveys did not have a personal experience with corruption in the past, their answers will be purely "attitudinal" and his/her opinions will be affected by individual factors. Donchev (2007: 4) explains that "a more educated respondent living in an urban area might have more knowledge about politics or the operation of the bureaucracy, and might be more critical of certain behaviors. Furthermore, he or she might also have heard of more

[1] The 2010 CPI draws on 13 source surveys from 10 independent institutions. Thus the CPI is based on data obtained from the Asian Development Bank, African Development Bank, Bertelsmann Foundation, World Bank, Economist Intelligence Unit, Freedom House, Global Insight, Institute for Management Development (IMD), Political & Economic Risk Consultancy and World Economic Forum. For more details on the group of personnel that was surveyed please refer to the appendix.

[2] See Bertrand and Mullainathan (2001) for a general critique of using attitude surveys in empirical work.

concrete instances of corruption from personal contacts or from the media. This might then make him or her more likely to report a higher perception of corruption. However, on the other hand, "a richer respondent who benefits from a corrupt climate (e.g., an entrepreneur with political ties) may be reluctant to call these practices 'corruption'" (ibid: 4).

Another common criticism leveled towards the citizens' perception is that the actual experience of corruption does not correlate to the people's assessment of corruption in their countries. It has even been suggested, that the disparities between opinions and experience "follow no common pattern from country to country and that the absence of commonality reinforces the conclusion, that the 'distance' between opinions and experiences vary haphazardly from country to country and therefore, perceptions-based comparisons between countries cannot be attributed to underlying material conditions" (Weber Abramo 2008: 5).

Why look at the citizen's perceptions of corruption?

Despite the harsh criticisms and weakness pointed out by some scholars, this paper argues that valuable and vital information could nevertheless still be extracted and inferred from citizen's assessment of corruption. Therefore, this paper will argue that the general public's perception of corruption is indeed salient and relevant for policy makers. The main reasons why citizen's perceptions should be taken into account are that they can complement the current measurements of corruption, provide additional information on how corruption works on the ground and allow the validation of expert questionnaires. Last but not least, citizens' perceptions of corruption are relevant for policy-making and need to be taken into account when formulating anti-corruption policies.

As stated by TI, the public view on corruption is of critical importance, because "it is mainly the general public who suffers the consequences of corruption either directly or indirectly" (Global Corruption Barometer 2010: 2). For this reason, what better way to determine if corruption exists than asking those who deal with the political system on a daily basis? Morris (2008: 291) explains that participation and first-hand or second-hand experiences with corruption influence a person's perceptions about the nature and extent of the phenomenon in the government: "individuals, generalize based on their own experience and the direct experience of those around them" (ibid). For this reason, despite being subjective, polls tapping perceptions can also represent a proxy measure of the real level of corruption in a country.

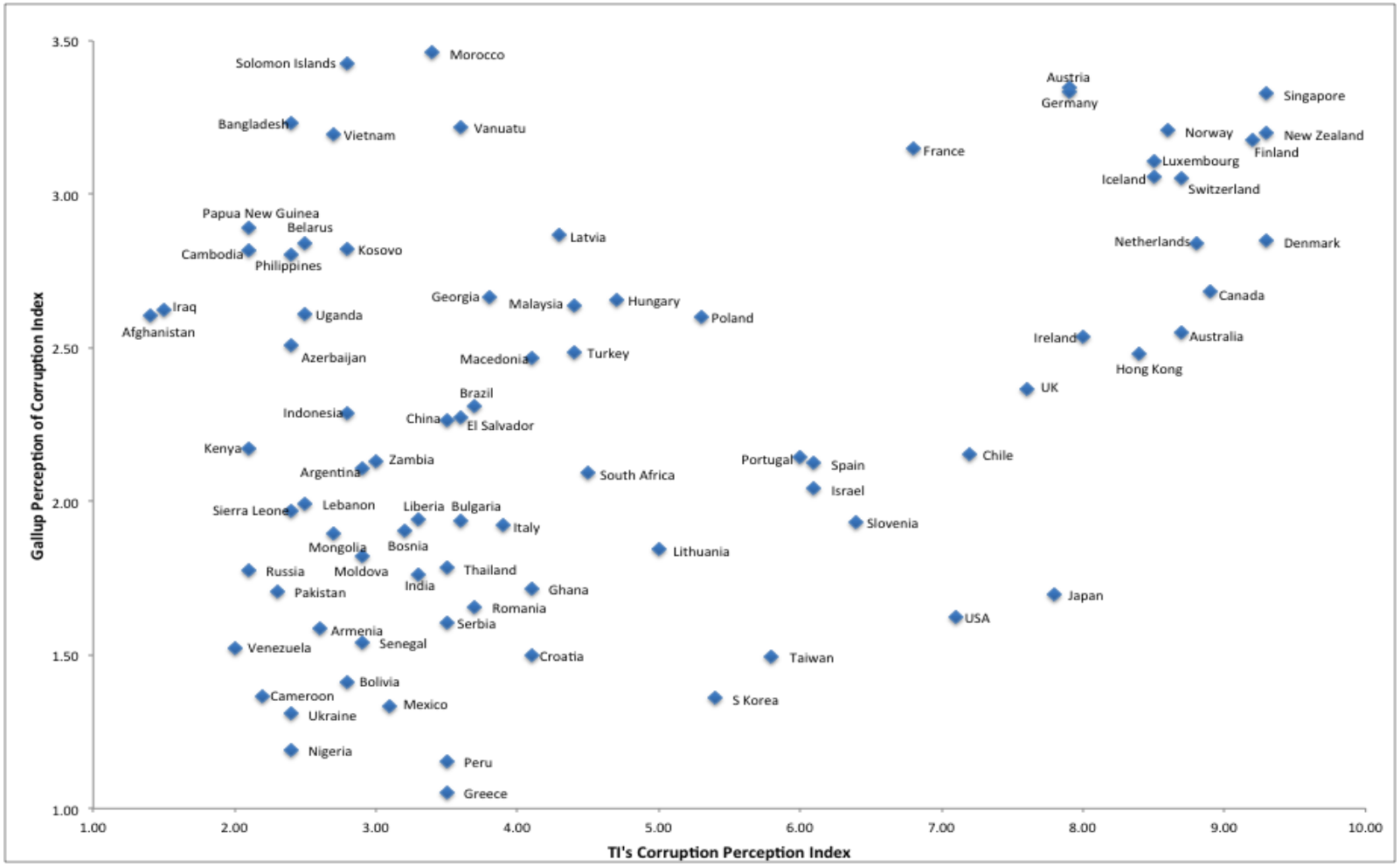
This paper relies on the citizen's assessment of corruption, and argues that the general public's perception of corruption is relevant for policy makers, because they point at possible weaknesses in

anti-corruption efforts and complement expert's opinions: since the "real" levels of corruption are unknown and basically impossible to measure accurately, the citizens' opinions should not be ignored, as they provide an additional tool to understand how corruption works.

Moreover, citizen's perceptions are crucial in politics: the opinions of the regular citizen matter and should be taken into consideration by politicians, since they have clear political consequences. Corruption perceptions are an important part of people's attitude towards political systems and leaders, and affect the level of political trust in a society. It is well known that, in turn, this trust can be an important determinant of investment decisions, political participation such as voting, and other behaviors with real economic consequences (Donchev 2007: 17). Also, Fackler & Lin (1995) find that voters use their assessment of the level of corruption to evaluate the incumbent government. For this reason, politicians in democratic regimes might want to keep the citizens' perceptions of corruption at low levels, since negative perceptions can have a direct impact on the election results. Nevertheless, the public's perception of corruption is also relevant for non-democratic regimes: the Arab spring, for example, started as "an emphatic rejection of corruption and a cry for integrity in authoritarian regime" (UN 2011: 1).

Another reason to rely on citizens' perceptions is that they can also validate the outcomes of elite-based surveys. It has been observed that when comparing expert opinions to citizen opinions, discrepancies between both groups may arise when they are asked to assess the extent of corruption in a country. As an example, following Roca's (2011) methodology to aggregate the people's perception of corruption, the correlation between the public's perception of corruption, taken from the GCB 2010, and the CPI scores from that same year is 0.38. However, it's not the strength of the correlation, but its direction what is most shocking: Figure 1 shows that in most countries with high CPI scores, meaning that experts perceive them as having low levels of corruption, the population believes that the government is highly corrupt. On the other hand, in many countries rated as corrupt by the CPI, the population does not perceive the government as corrupt.

Figure 1. Comparison between TI's CPI and Roca's (2007) citizen's perception index.



This shows that there is a significant gap between what experts and citizens perceive. The two opposite situations explained in the previous paragraph would call for different policy responses: In a country that is assessed by experts as having low levels of corruption but where the general population thinks that corruption is widespread, such as Canada, New Zealand, Norway and Switzerland, the government may need to improve its communications strategy when it comes to informing the public about its anti-corruption efforts and the institutional mechanisms in place to hinder corrupt practices. On the other hand, countries where the situation is reversed, such as Greece, Pakistan, Romania and Venezuela, NGOs and civil society would need to engage in awareness strengthening activities. For this reason, and considering that corruption is an amorphous phenomenon that is hard to define, detect, and measure accurately, it is necessary to use as much of the information available, from as many sources possible, to understand the way it operates and the best ways to curb it.

No measurement developed until now enjoys universal acceptance and as shown above, there is a gap between the perceptions of experts and the perceptions of citizens. This is because, as explained by Goidel (2009: 2), several factors might play a role in determining the citizens' perceptions of corruption. These factors may have little or no connection to the actual level of corruption in a country, if this is indeed the case; the "appearance" of corruption could be fairly questioned as having little connection to reality as appearance and reality are not the same. However, if perceived corruption is correlated with actual corruption, one could argue that the appearance is not simply a product of generalized mistrust but reflective of reality. Either way, "the relationship between the appearance and reality of corruption has considerable substantive importance" (ibid: 3) and the gap between perception and reality can be a strong indicator of needed action.

Contrary to Claudio Weber Abramo, who challenges the value of perceptions based on the fact that they do not possess any explanatory power on other indexes such as the CPI (Weber Abramo 2008: 3), this paper argues that they are important for policy formulation and that different elements that drive the citizens perception of corruption can be identified. Moreover, the citizens' perceptions of corruption are an important source of information to understand the phenomenon. Ignoring them by simply arguing that they are country specific and mainly a cultural phenomenon is a simplistic approach and deprives researchers and policy-makers of a powerful tool to help design sensible solutions to curb it.

Section 2: Making sense of Hydra

Although corruption is viewed as one of the most severe bottlenecks in the process of economic development (Shrabani 2009: 36), very little is known of what factors cause corruption and why some countries are more corrupt than others. With a few exceptions, the majority of the empirical studies on corruption have examined various country case studies of nations or regions. However, cross-sectional comparative empirical research is fairly uncommon. Some recent studies have begun to address those challenges in a systematic way, notably Treisman (2000), Sandholtz and Koetzle (2000), Shrabani (2009). These cross-sectional studies analyze and seek to explain the causes of corruption in particular with historical and cultural traditions, level of economic development and political institutions.[3]

Probably the most comprehensive and widely cited econometric analysis of the sources of corruption is Treisman's article "The causes of corruption". This cross-sectional study relies on TI's CPI, and tests empirically for a wide range of theoretical explanations of corruption. However, the author uses mostly fixed factors (i.e. time invariant) as the determinants of corruption (Pellegrini 2007: 247). Some of his main findings include, for example, that corruption is lower in Britain and in former British colonies, as well as in countries with a Protestant tradition or with a common law system (Treisman 2000: 405). Although Treisman's contributions are important and help getting a better understanding of the patterns of corruption, most of the explanatory variables identified were persistent over time and are either difficult or impossible to change through policies in the short and medium run (Pellegrini 2007: 247).

Furthermore, most of the other empirical studies on corruption were found to be primarily focused on identifying the effect of a single variable. This was then achieved by testing a particular theory through a simple bivariate regression or in some cases, complementing the analysis through the addition of one or two other relevant controls. However, despite these studies producing results that confirm and verify the theories that were tested and constituting valuable contributions for the identification of likely sources of corruption, the estimate of the coefficients obtained may then be biased as a result of omitted variables biases (ibid: 248). Therefore, it is paramount for studies of this nature to include all relevant forms of other variables and controls, while remaining parsimonious, so that omitted variable bias could be avoided to ensure that estimates produced are accurate and unbiased.

[3] For a more comprehensive review of the literature, refer to Treisman (2000), Pellegrini (2007) and Shrabani (2009).

Moreover, there is also a dearth of empirically driven studies that deal with citizens' perceptions of corruption, and the ones that do so, focus mainly on the micro level and explain the determinants of corruption at the individual level. The variables used in these studies encompass mainly socio-demographic data such as gender, religion, age, income or area of residence. Mocan (2007), for example, looks at the determinants of bribery at the individual level and concludes that "highly-educated and high-income individuals have higher exposure to being asked for a bribe by a government official. Males are more frequent targets of bribery, […] and the same is true for those who are younger than 20 or older than 60. Living in larger cities increases the risk of exposure to bribery" (ibid: 17).

Although the studies conducted so far on corruption are relevant to characterize and gain a better understanding of the topic, they mainly explain corruption with variables that maybe difficult to affect through policy (e.g. religion). Therefore, their policy significance is perhaps rather limited. For this reason, this paper shall then focus on explaining the people's perceptions of corruption by relying mainly on policy relevant variables so as to identify potential areas of improvement and come up with sensible policies that could help curb and ameliorate the negative effects of corruption. For this particular reason, the cultural, geographical, historical and structural variables that are commonly used in explaining corruption will therefore not play a central role in this paper. Instead, they shall be replaced by other factors that are easier to influence through policy, such as media freedom, red tape reduction, civil society organizations (CSOs) and economic policy.

The drivers behind the citizens' perceptions of corruption

Summing up, this paper seeks to contribute to the current corruption literature by shedding some light on the drivers behind the people's perceptions of corruption; an area which has often been neglected in corruption literature. In order to do so, it breaks down the term 'corruption' into the three sub-components based on the relationship between the general public and the government (judicial, bureaucratic and political corruption) and incorporates dynamic instead of static explanatory variables (i.e. time invariant variables) to be able to formulate policies that help curb corruption.

The main hypotheses to be tested are that that the citizens' perceptions of corruption are mainly influenced and shaped by personal experiences with corruption, the perceived performance of public institutions and the availability of information which is influenced by the level of oversight and control exercised by other actors such as the media and civil society organizations. These explanatory variables can be clustered into four groups:

1. Experience of corruption with the relevant institutions,
2. Institutional performance and complexity,
3. Governmental and non-governmental oversight mechanisms and
4. Economic performance and level of development.

This last cluster is simply included as a set of control variables. The following paragraphs will then outline the main hypothesis to be tested in this paper.

Experience of corruption

The citizens' perceptions of corruption are mainly based on their experiences with the phenomenon. Bribery plays a particularly important role in the formation of a citizen's perception of corruption, especially for those institutions he or she has direct contact with. For this reason, the bribes paid to the judicial system or to the bureaucracy will have a direct effect on their assessment of the level of corruption in these institutions. On the other hand, since citizens do not have direct contact with the political elites, political corruption is essentially different to its bureaucratic and judicial counterparts. However, the experience of corruption with other governmental agencies might be perceived as a sign of corruption in the higher political arena.

As explained by della Porta (1999: 131), the bureaucracy is supposed to be an essential watchdog on and counterweight to the activities of politicians. Civil servants are often in a position to denounce the illegitimate actions of politicians or can refuse to carry out the measures desired by the latter. However, this internal control has a big weakness: the vulnerability to collusion between controllers and controlled (ibid). In this case, the elected officials deal with "big business" and leave the "smaller business" to the bureaucrats (ibid: 136), thus, the general experience of corruption, even when not directly linked to the political actors, might influence the citizens' perception of political corruption.

The first hypothesis would then be that bribery has a positive impact on the perceptions of corruption: *the higher the experience of bribery, the higher the perception of corruption among citizens*. Furthermore, if it is found that "that different types of experience give different results, so that perception indices capture some forms of corruption better than others, this might question the existence of an underlying one-dimensional "corruption-factor," (Donchev 2011: 17) and provides affirmation that corruption should instead be disaggregated into its three sub-categories as suggested in this paper.

Institutional performance and complexity

Red tape has been identified in the literature as a source of corruption (Guriev 2004: 490) as it increases the discretionary power of the bureaucrats (Mungiu-Pippidi 2011: 53) and, according to della Porta (1999: 134), the obstructive and time-consuming procedures give citizens incentives to speed up administrative decisions by bribing public servants. Therefore, complex or long bureaucratic routines have an influence on the citizens' perception of corruption even if long or tedious procedures do not translate into a bribery payment, because citizens identify the windows of opportunity available for corrupt rent-seeking behaviors.

Thus, long, complicated and tedious interactions with the government increase the perception of corruption among citizens, even if the real underlying reasons behind the long waiting times are due to human, time or organizational constraints (della Porta 1999: 134). On the other hand, simple, straightforward procedures, and an efficient bureaucracy help decrease the people's perception of corruption. The second hypothesis to be tested in this paper is therefore that red tape or overly complicated bureaucratic procedures will increase the perceived level of corruption among the population: *the higher the complexity of the processes and the inefficiency of the bureaucracy, the higher the people's perceptions of corruption*.

In addition, other relevant variables that measures governmental performance such as wastefulness of government expenditure that relates to each of the three individual facets of corruption as described earlier on in this paper will also be tested in the analysis. A more detailed description of these variables when used in their respective models will then be further discussed under the methodology section.

Governmental and non- governmental control mechanisms

The civil society and the media could help strengthen the citizens' impression of oversight and control over the public administration simply by providing information or pointing out ineffective or non-transparent government activities. Therefore, the media is often referred to as the public's "eyes and ears" (Welsh 2007: 1) since governments cannot be held accountable if citizens are ill informed about the actions of officials and institutions (Coronel 2008: 2). On a routine basis, the media and CSOs can function as watchdogs to monitor the day-to-day workings of the government, thereby helping citizens assess the performance of the public institutions. Investigative reporting, on the other hand, exposes wrongdoing, and uncovers illegal practices engaged by corrupt public officials and politicians. This could then ensure that the individuals and institutions that are meant to serve the public would remain transparent, and could be held accountable. Therefore a free and open media that helps expose corruption has an influence on the public perceptions of the issue.

However, the relationship between freedom of the press and the people's perception of corruption is not expected to be linear (Roca 2011: 10): the perception of corruption will be low in countries with a limited freedom of the press (e.g. Belarus), since citizens will not have access to the information they need to properly assess the levels of corruption in their countries. On the other end of the spectrum, perception of corruption will also be low in countries with high levels of press freedom (e.g. Denmark), since the public might see the media as an effective and reliable watchdog that increases the costs of corruption by incrementing the risk of public servants and politicians being caught if they engage in corrupt practices and thus rely on it as a vital source of information with regards to corruption. Hence, given that there is a low incidence of reports on corruption, citizens in these countries would then perceive low levels of corruption. It seems likely that in countries suffering from a challenged freedom of the press, perceptions will mainly be the consequence of experience, whereas in accountable democracies, corruption perceptions will be more driven by media reporting (Roca 2011: 11). The third hypothesis to be tested is that a free press serves as a control for corruption and thereby decreases the perception of corruption among the peopl*e*.

Civil society organizations (CSO) also play an important oversight role. CSO activities do not only include monitoring governments' actions and decisions in an effort to reduce corruption, it also plays a role in shaping public policy (Bifarello 2001: 4). Some examples of CSO monitoring include privatization plans, procurement reforms, allocation of housing, public expenditure tracking, election monitoring and legal reforms. For this reason, they are expected to have a significant impact in the people's perception of corruption. The last hypothesis to be checked in this paper is that having CSOs present in a country and monitoring the different activities of the government will decrease the citizens' perceptions of corruption. Therefore, the last hypothesis is that *the higher the numbers of CSOs present in the country, the lower the perception of corruption among the citizens*.

In addition, other relevant variables that capture governmental oversight such as transparency of government policymaking, that relates to each of the three individual facets of corruption as described earlier on in this paper will also be tested in the analysis. A more detailed description of these variables when employed in their respective models will then be further discussed under the methodology section.

Economic performance and level of development

Human development could be defined as "expanding the choices that people have to lead lives that they value" (Human Development Report 2001: 9). A mode of measuring human development would then be to make use of the Human Development Index published by the United Nation Development Programme (UNDP), which is computed with equal weight being placed on life

expectancy, literacy rate and standard of living (i.e. GDP per capita). In addition, the paper defines economic performance to be the average of GDP growth over the period of 2007 to 2010.

Hence, given that the “level of economic and human development in a society are among the major economic variables that affect the level of corruption,” (Saleim 2009: 10) there is likely to be a strong relationship between human development, economic performance and the independent variables used in the analysis, investigating the relationship between the independent variables and the perception of corruption would then require control of some macro-level indicators to remove the possibility of mediation by such variables. Hence, the paper shall include HDI and economic performance as control variables to facilitate the study of the effects of the independent variables by holding HDI and economic performance constant.

Section 3: Empirical Analysis

In order to test the hypothesis mentioned in the previous section, this paper relies on quantitative research methods. A cross sectional Ordinary Least Square econometric model will be used to analyze the aggregated data that were obtained from the 2010 Gallup Global Corruption Barometer (GCB) which encompasses 86 countries from all over the world. Other statistical approaches, such as a time series panel data would have also been useful to address the research questions. However, the key reason why a time series panel data analysis was not employed in this study is the intrinsic limitations of the GCB: the questions and countries included in the survey change from time to time, thus making comparisons between different time periods difficult. On the other hand a micro level analysis of the determinants of corruption at the individual level using a ordered logit model was also considered, but the enormous number of observations would require huge computing for the analysis and is thus out of the scope for this study.

For this study, the data from the GCB was triangulated with other data sources, such as, the World Bank (WB) database, the World Economic Forum (WEF) Executive Survey, the Freedom of the World survey and the United Nations (UN) data, to obtain additional explanatory variables. It is important to mention that all dependent and independent variables underwent various statistical tests to ensure that they were normally distributed and to check the presence of outliers and linearity with respect to the dependent variable. The indicators that were found to violate any of the pertinent tests were corrected and accounted for in the respective models. The models constructed were also checked for problems with multicollinearity and heteroscedasticity.

The three heads of the Hydra: measuring three types of corruption

As already mentioned, this paper does not look at corruption as one single phenomenon. Rather, it argues that clear distinction should be made between political, judicial and bureaucratic as they reflect different scale and magnitude of corruption. Moreover, they also differ in terms of the impacts they have on the society. Therefore, it might be erroneous and over simplistic to consider corruption as a single entity as the different forms of corruption might essentially be driven by different factors and as such specific policy recommendation could be made to address the different categories of corruption. However, it should be noted that the paper seeks to explain the drivers of citizen's perception of political, judicial and bureaucratic corruption and not the different forms of corruption. For this reason, three different dependent variables were constructed to account for citizen's

perception of political, judicial and bureaucratic corruption. The first step, however, is to find good enough indicators to measure the perceptions of political, bureaucratic and judicial corruption.

The data used for the construction of the dependent variables are derived from TI's GCB, one of the largest cross-country surveys to collect the general public's experiences and views on corruption. The GCB has been conducted since 2003 and the sample of countries included in the study has been expanding since then. This paper takes advantage of the most recent data available, which corresponds to the year 2010. The data from the GCB 2010 covers more than 91,500 people from 86 countries, which thus makes it the most comprehensive edition of the survey since it was launched.

The data used to measure the perception of political, bureaucratic and judicial corruption are derived from the aggregated responses to the following questions:

Political Corruption	Bureaucratic Corruption	Judicial Corruption
To what extent do you perceive Parliament in this country to be affected by corruption?	To what extent do you perceive public officials / civil servants in this country to be affected by corruption?	To what extent do you perceive the Judiciary in this country to be affected by corruption?
To what extent do you perceive the political parties in this country to be affected by corruption?		

Each respondent could answer the questions in a scale from one (not at all corrupt) to five (extremely corrupt). In order to generate a single value that represents the people's assessment on corruption, a weighted average of the grades assigned by each individual respondent within a country was calculated. Unlike other studies conducted so far, the averages were constructed taking into account the number of people who answered "don't know". Most of the studies consulted for this paper ignore this figure. This, however, leads to an overrepresentation of the respondents who do answer the question and might make the indicator more vulnerable to capture simply the anti-government bias of the respondents and not the overall perception of corruption. After all, citizens who do not answer these questions might be indifferent to the problem of corruption, and this is something that should also be captured when measuring the perceptions of corruption.

Just as in the original questions from the GCB, the three dependent variables are measured on a scale of from one to five, where one means that the institutions are not perceived as corrupt and five that they are seen as extremely corrupt. However, the three dependent variables were treated as

continuous, since the aggregation of the individual data using weighted averages transformed the variables into a continuous scale. This also justifies the use of OLS for the analysis rather than ordered logit, which is used to handle limited/categorical dependent variables. The descriptive statistics for the dependent variables can be found below (see Table 1).

Table 1. Descriptive statistics for perception of political, bureaucratic and judicial corruption

	N	Minimum	Maximum	Mean	Std. Deviation
Political Corruption	86	1.3006	4.4430	3.537324	0.6457574
Bureaucratic Corruption	86	1.9671	4.2080	3.276695	0.4609628
Judicial Corruption	86	1.2533	4.3200	3.074205	0.6575243

As can be seen in the table above, the means for each type of corruption are different. In general, citizens perceive the political parties and the legislative, which are integrated into the political corruption perception indicator, as the most corrupt institutions. Bureaucratic corruption ranks second and judicial corruption ranks third.

The perceptions of judicial corruption

As explained in the in the previous section, the explanatory variables used to explain each type of corruption can be clustered into four groups. For the judicial model in particular, the percentage of respondents who admitted paying a bribe to a public official in the judicial branch over the last 12 months measures the first cluster: the direct experience of corruption. This information was extracted from the GCB and a positive effect between the level of bribes and the perceived level of corruption is expected. That means that *the higher the number of people paying bribes to the judiciary, the higher the people's perception of corruption in the judiciary will be.*

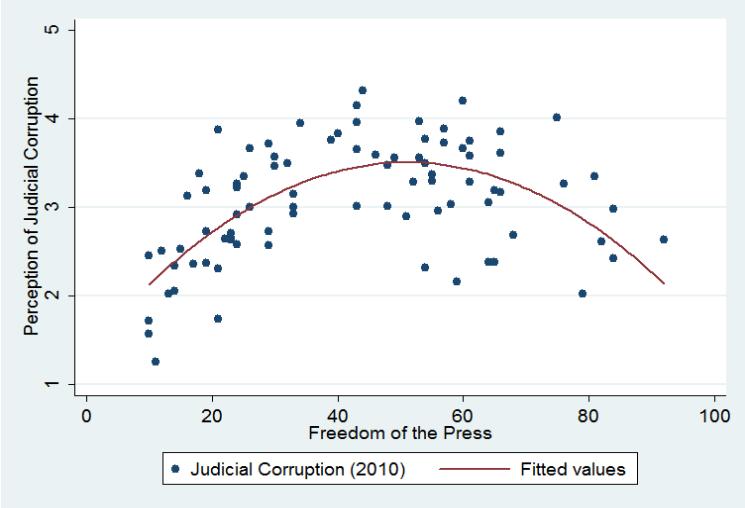
The second cluster, the performance of the judicial system, was operationalized and measured with two different questions contained in the GCB: "Do you believe in the fairness of the justice system?" and "Do you believe that the justice system is too slow or complicated?". Both variables are measured as percentage of respondents who answered "yes" to the questions. The first question

clearly measures the perceived fairness of the judicial system and it would be expected to have a negative statistical impact on the citizens' perceptions of corruption, i.e. *the higher the perceived fairness of the judicial system, the lower the perception of corruption will be in this branch*. On the other hand, the inefficiency of the judicial system could be regarded as red tapes that provide greater opportunities for rent seeking behaviors. Therefore, it is expected that *the higher the number of respondents that see the legal system as slow or complicated, the higher the perception of corruption.*

Additionally, the independence of the judiciary from government, citizen and firm intervention was also included as part of this cluster as well. This is because an independent judiciary is necessary to ensure the fair and impartial functioning of the legal system, and to prevent impunity and abuse by influential personnel and elites. Therefore, performance of the judiciary is closely linked to judicial independence (Dubofsky, 2006). This variable can have a clear effect on the citizens' perceptions of corruption, as a legal system that is known to be controlled by elites will increase the citizens' perception of corruption. This variable was extracted from the WEF Executive Survey and is coded on a scale from one- heavily influenced- to seven- entirely free. An independent judicial system is then expected to decrease the perceived level of corruption: *the lower the level of intervention of government, firms or individuals in the decisions of the courts, the lower the perception of corruption*.

The third cluster, governmental and non-governmental oversight systems, includes two non-governmental watchdogs: the media and the civil society. The freedom of the press is measured by Freedom House's index, which ranks countries in a scale from zero to hundred and takes into consideration four different possible restrictions on the press: laws and regulations, political pressures and controls, economic influences and repressive actions. Data obtained from Freedom House with respect to freedom of the press was coded such that increasing values represent decreasing freedom of the press. However, it might be confusing when interpreting its effect on the dependent. Therefore, the scale for this variable was inverted so that increasing values represent increasing freedom of the press. This variable, as explained before, is expected to have a quadratic effect (see Figure 2), meaning that *high and low levels of press freedom will decrease the perception of corruption*. The second oversight variable is the number of CSOs per million inhabitants in the country, which quantifies the role of the CSOs as an additional watchdog. CSOs are expected to reduce the perception of corruption in the judiciary: *the higher the number of CSOs, the lower the perception of corruption*.

Figure 2. Relationship between perception of judicial corruption and press freedom.



Finally, the economic and developmental variables that are often used to explain corruption were included in as controls for the model. The variables included to account for this used in this model include the Human Development Index (HDI) and the country's economic performance over the last 3 years, which is measured by the average GDP growth between 2007 and 2010. Additionally, regional dummy variables were included in the regression to control fixed regional effects. It should be noted that the region Western Europe and North America is treated as the base category and is thus not included in the regression to prevent over-specification. A summary of the independent variable used for this model can be found in Table 2.

Table 2. Summary of independent variables used in the perception of judicial corruption model

	Variable	Scale	Definition	Measurement	Source
DV	Judicial Corruption	1-5	Extent to which the judiciary is perceived to be affected by corruption in the country.	Weighted average of responses. 1=not corrupt at all; 5=extremely corrupt	TI GCB
IV	Experience of judicial corruption	0-1	% of respondents who admitted paying a bribe to the judiciary in the last 12 months.		TI GCB
IV	Fairness of the judicial system	0-1	% of respondents who believe that the justice system in their country is fair.		TI GCB
IV	Efficiency of the judicial system	0-1	% of respondents who believe the justice system is slow / complicated.		TI GCB
IV	Judicial Independence	1-7	Independence of the judiciary from government, citizens or firms intervention.	1 = heavily influenced; 7 = entirely independent	WEF
IV	Freedom of the Press	0-100	Computed by adding four different ratings: Laws and regulations, Political pressures and controls, Economic Influences and Repressive actions	0= least free; 100= most free	Freedom House
IV	Civil Society Organizations	0- ∞	Number of civil society organizations per million inhabitants.		Grimes. M (2008)
IV	HDI	0-1	Combines indicators of life expectancy, educational attainment and income into a composite index.	1= highest level of human development; 0=lowest level of human development	UN
IV	Economic performance	0-100	Average GDP growth in the last 3 years (2007-2010)		WB
IV	Region	dummy	Dummy variables for Western Europe and North America, Eastern Europe and post-Soviet Union (incl. Central Asia), Latin America and the Caribbean, North Africa and the Middle East, Sub-Saharan Africa, and East and South Asia and the Pacific		WB

The statistical model for judicial corruption

The model explaining judicial corruption comprises 48 observations and has an R^2 of 0.86, meaning that the independent variables included explain 86% of the variance of the dependent variable. The statistical output in Table 3 shows that the experience of bribery, the complexity of the judicial system (labeled as inefficiency of the judicial system), as well as its fairness and independence are statistically significant variables to explain the people's perception of corruption in the judiciary. The marginal effect of freedom of the press is also significant.

Table 3. Regression output for perception of judicial corruption

	COEFFICIENTS
VARIABLES	Model 1
Log of Judicial Bribery	0.16**
	(0.071)
Judicial Independence	-0.22**
	(0.085)
Fairness of Judicial System	-1.07**
	(0.474)
Inefficiency of Judicial System	0.83**
	(0.353)
Freedom of the Press	0.03*
	(0.020)
(Freedom of the Press)^2	-0.0003*
	(0.000)
CSOs per million	-0.0015
	(0.004)
HDI	1.27
	(0.824)
Economic Performance	0.00
	(0.026)
East and South Asia	-0.03
	(0.238)
Sub Saharan Africa	0.22
	(0.300)
Middle East and North Africa	-0.08
	(0.276)
Latin America and the Caribbean	0.04
	(0.252)
Eastern Europe and Post USSR	0.05
	(0.202)
Constant	2.94***
	(1.012)
N	48
R^2	0.86
Adj. R^2	0.79

*Note:*Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Experience of corruption

The statistical output shows that the direct experience of corruption with the judiciary exerts a positive effect on the dependent variable, i.e. it increases the general perception of corruption in the

judiciary. This is in line with the theoretical expectations outlined before and proves the hypothesis that experience of corruption plays a role and has a positive impact on the people's perceptions of corruption.

Although previous research shows a disconnection between experience and perception, this seems to be true only when the perceptions of citizens are aggregated to describe corruption as a single phenomenon. However, if we isolate judicial corruption as one of the many faces of corruption, bribery has a significant explanatory power on public perceptions However, despite having a statistically significant effect on the dependent variable, bribery does not have a substantive effect: a one percent increase in the experience of bribery leads only to a 0.0016 increase in the perception of judicial corruption.

Institutional complexity and performance

As proved in the regression, long and tedious legal processes seem to be interpreted by the people as a symptom of corruption: a one unit increase in the perception of inefficiency of the judiciary, leads to an increase of 0.83 units in the dependent variable. This confirms that the perceived institutional performance and the complexity of the system increase the perception of corruption among the people. This means that the higher the perception of inefficiency, the higher the perception of corruption.

Additionally, the general perception of fairness of the judiciary, another measure of performance, is also statistically significant and has a negative effect on the dependent variable. This confirms the hypothesis that the higher the perceived level of fairness in the system, the lower the perception of judicial corruption. The analysis shows that one unit increase in the perception of fairness, leads to a decrease of 1.07 units in the dependent variable.

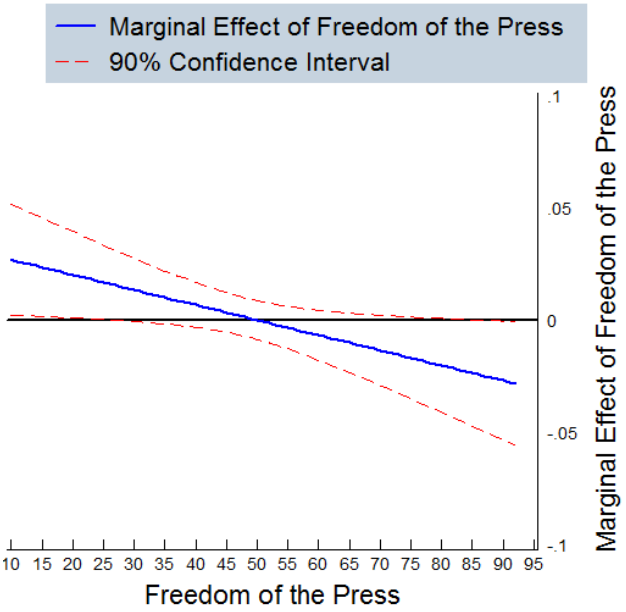
Oversight: freedom of the press and CSOs

The freedom of the press also appears to be a significant explanatory variable for the people's perception of corruption, which confirms the hypothesis that non-governmental oversight mechanisms have an effect on the people's perception of corruption. However, given that this variable has a quadratic effect, it is more appropriate to look at its marginal effect rather than looking at the effects of the linear and the quadratic component individually. Furthermore, the significance level should not be read directly from the output table, as it is misleading to use the point estimate of the standard error for this purpose. For these reasons, the marginal effect of

freedom of the press was checked over its entire range to determine the interval over which its impact is statistically significant.[4]

Figure 3 below shows the marginal effect of freedom of the press on the people's perceptions of corruption. It reveals that the marginal effect of this variable is only statistically significant when the press is either completely free (values above ninety), or when it is not free (values below twenty eight). This means that the public's perception of judicial corruption is lower when the press is either completely free as in the case of Denmark, Finland, Iceland, Luxembourg, Norway and Sweden or when there's a high level of censorship or media repression like in Afghanistan, Azerbaijan, Belarus, Brunei, China, Ethiopia, Palestine, Russia, Togo, Venezuela and Vietnam. However, values spanning across the middle range for freedom of the press (values between thirty and ninety) was not found to be statistically significant, since the confidence interval encompasses zero. This effect is likely to be caused by the fact that a completely free media is perceived as an effective and reliable oversight mechanism for governmental actions. On the other hand, high media repression withholds critical and sensitive information that, if published, could have a negative impact on the public's perception of corruption (i.e. driving it to higher levels).

Figure 3. Marginal effect of freedom of the press on perception of judicial corruption



[4] Given that $y = \beta_0 + \beta_1 x + \beta_2 x^2$, the marginal effect of x on y is described by the first derivative of x, namely $\frac{dy}{dx} = \beta_1 + 2\beta_2 x$ and the corresponding standard error is given by the following expression: $s.e = \sqrt{var(\beta_1) + 4x^2 var(\beta_2) + 4xcov(\beta_1 \beta_2)}$

The perceptions of bureaucratic corruption

Just like in the previous model, the perceptions of bureaucratic corruption will be explained using the four different clusters of independent variables: experience of corruption, performance, governmental and non-governmental oversight mechanisms, and economic and developmental controls. The percentage of respondents who admitted paying a bribe to a public official in the tax administration or for registry and permit services over the last 12 months were aggregated to account for the first cluster, i.e. the direct experience of corruption with the bureaucracy. This information was extracted from the GCB and this variable is expected to *have a positive effect on the perceived level of corruption.*

An important difference between this model, and the one used to explain the perception of judicial corruption, is that the data contained in the GCB facilitates the testing of different levels of tolerance towards bureaucratic corruption. Corruption has already been extensively studied as a cultural phenomenon and it has been proven that an action considered to be normal practice in a society can be considered corrupt in a different one or that the disposition to pay a bribe is influenced by moral views and values (Melgar 2010: 121). For this reason, and taking advantage of the data available in the GCB, an interaction between experience of bribery and tolerance to bribery was included. The paper then hypothesizes that the effect that the experience of bribery has on the citizen's perception of bureaucratic corruption is conditional on prevalent social norms, which in this case is captured by the public tolerance level towards corruption.

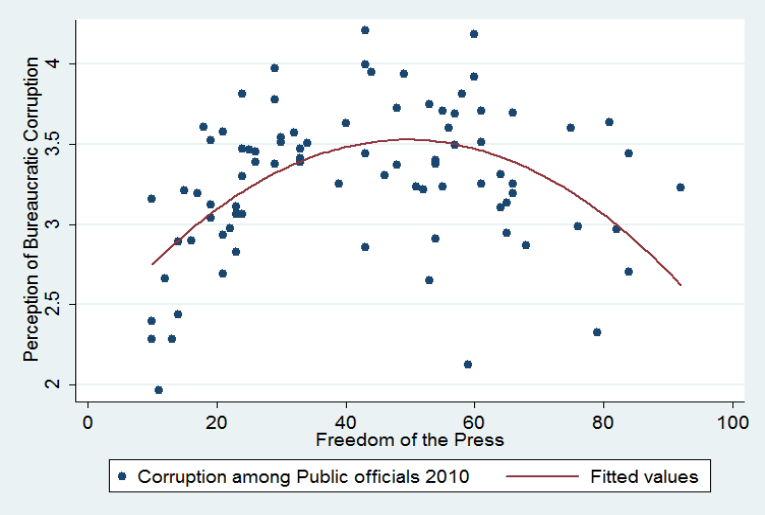
For the construction of the tolerance variable, three scenario-based questions from the GCB were used. Each scenario entails situations in which public officials engage in either implicit or explicit forms of rent- seeking behavior in an attempt to extract monetary or non-monetary rewards from citizens. The respondents would then be asked to answer if they consider the behavior of the public official to be acceptable and also if they considered the payment to be a bribe or not. Complete details and description of the scenarios and questions asked can be found in the Appendix. The tolerance variable was constructed by calculating the percentage of respondents who consider that giving money to a public official to influence his/her actions does not constitute a bribe. The hypothesis to be tested in this model would then be that the effect that experience of bribery has on the public perception of bureaucratic corruption is conditional on their tolerance level towards corruption such *that higher levels of tolerance towards bribery will decrease the effect of the experience of corruption on the dependent variable*.

The second cluster, the complexity of the bureaucratic processes in a country, was measured with an external indicator extracted from the World Bank database: the ease of doing business. This variable ranks a total of 183 countries according to the extent to which their regulatory processes

interfere with business operation. This variable thus reveals the level of red tape and it reflects how tedious bureaucratic processes can be, particularly for firms and also regular citizens who wish to start a business. For this reason it is expected to have a positive effect on the people's perception of corruption. This means that *the simpler the regulatory processes (lower values in the ease of doing business rank), the lower the perception of corruption among the bureaucracy.*

Just like in the judicial model, the third cluster, governmental and non-governmental oversight systems, includes two non-governmental watchdogs: the media and the civil society. Both elements of this cluster were measured with the same proxies used in the previous model: Freedom Houses' freedom of the press and the number of CSOs per million inhabitants. The hypothesis formulated for the judicial model will also be tested for this model. Therefore, the expectation is that freedom of the press will have a quadratic effect (see Figure 4) such that *high and low levels of press freedom will decrease the perception of corruption*. On the other hand, it would be expected that *the higher the number of CSOs, the lower the perception of corruption*.

Figure 4. Relationship between perception of bureaucratic corruption and press freedom



Finally, the same economic and developmental variables used in the judicial model as controls (HDI and average economic growth between 2007 and 2010) are also included in the bureaucratic model. In addition, regional dummy variables are also included to control for fixed regional effects. For the purpose of the analysis, the region Western Europe and North America is treated as the base category and is thus not included in the regression to prevent over-specification. A summary of the independent variables used is then listed in Table 4.

Table 4. Summary of independent variables used in the perception of bureaucratic corruption model

	Variable	Scale	Definition	Measurement	Source
DV	Bureaucratic Corruption	1-5	Extent to which the public officials are perceived to be corrupt in the country.	Weighted average of responses. 1=not corrupt at all; 5=extremely corrupt	TI GCB
IV	Experience with Bureaucratic Corruption	0-1	% of respondents who admitted paying a bribe to bureaucrats in the last 12 months.		TI GCB
IV	Tolerance to bribery	0-1	% of respondents who see bribery as an acceptable behavior		TI GCB
IV	Ease of doing business	1-183	Index that measures the extent to which regulatory environment is conducive to business operation.	1= regulatory environment is the most conducive to business operation; 183=regulatory environment is the worst to allow business operation.	WB
IV	Freedom of The Press	0-100	Computed by adding four different ratings: Laws and regulations, Political pressures and controls, Economic Influences and Repressive actions	0= least free; 100= most free	Freedom House
IV	Civil Society Organizations	0- ∞	Number of civil society organizations per million inhabitants.		Grimes. M (2008)
IV	HDI	0-1	Combines indicators of life expectancy, educational attainment and income into a composite index.	1= highest level of human development; 0=lowest level of human development	UN
IV	Economic performance	0-100	Average GDP growth in the last 3 years (2007-2010)		WB
IV	Region	dummy	Dummy variables for Western Europe and North America, Eastern Europe and post-Soviet Union (incl. Central Asia), Latin America and the Caribbean, North Africa and the Middle East, Sub-Saharan Africa, and East and South Asia and the Pacific		WB

The statistical model for bureaucratic corruption

The model that explains the perceptions of bureaucratic corruption includes data from 72 countries and has an R2 of 0.66. This means that the independent variables included in this model could account for 67 percent (Heidenhamer, 2001) of the variance of the dependent variable. The statistical output in Table 5 shows that the experience of bribery and the interaction between bribery and tolerance, the freedom of the press (and its marginal effect), the economic performance, the HDI and the regional effects for Latin America and the Caribbean and Sub-Saharan Africa are statistically significant variables to explain the people's perception of corruption in the bureaucracy.

Table 5. Regression output for perception of bureaucratic corruption

	COEFFICIENTS
VARIABLES	Model 1
Log of Bureaucratic Bribery	0.27***
	(0.092)
Tolerance of Bribery	-0.33
	(1.033)
Bribe * Tolerance	-0.56*
	(0.335)
Ease of doing Business	0.00
	(0.001)
Freedom of the Press	0.04***
	(0.014)
(Freedom of the Press)^2	-0.00***
	(0.000)
CSOs per million	-0.01
	(0.003)
Economic Performance	-0.04**
	(0.021)
HDI	1.45*
	(0.800)
Eastern Europe and post USSR	0.23
	(0.172)
Latin America and the Caribbean	0.71***
	(0.230)
Middle East and North Africa	0.15
	(0.253)
Sub Saharan Africa	0.56*
	(0.291)
East and South Asia	0.21
	(0.217)
Constant	1.92**
	(0.851)
N	62
R^2	0.67
Adj. R^2	0.57

Note: Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

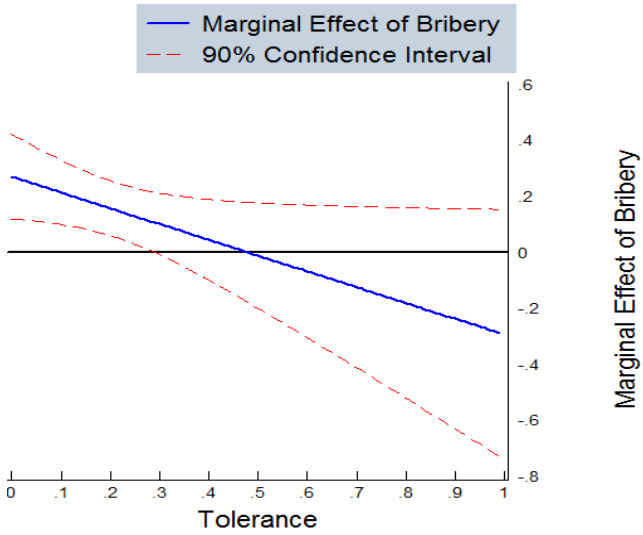
Experience of corruption

In order to identify the true effect of experience of corruption on the perception of bureaucratic corruption, the paper hypothesizes that the effect of bribery is in fact conditional on the public's

tolerance level towards corruption. Hence, an interaction term between bribery and public's tolerance level towards corruption is included in the model to capture the conditional hypothesis. Care was also taken to include both the constituent terms into the model together with the interaction term. However, the regression output needs to be analyzed carefully and one should refrain from interpreting constitutive terms as unconditional marginal effects.

A case in point could be seen in this equation where $y = \beta_0 + \beta_1 x + \beta_2 z + \beta_3 xz + e$. The first derivative of x (bribery) on y (perception of bureaucratic corruption) could then be expressed as $\frac{dy}{dx} = \beta_1 + \beta_3 z$. Therefore, it is erroneous to interpret constitutive terms as unconditional marginal effects as β1 only captures the marginal effect of x on y when z equals zero. Instead, a more meaningful interpretation would be then to calculate substantively meaningful marginal effects and standard errors. The relevant standard errors for the marginal effect of the independent variable (x) on the dependent variable (y) could then be calculated based on this formula: var(β1)+Z2var(β3)+2Zcov(β1 β3). The marginal effect of bribery (x) on the perception of bureaucratic corruption over the entire range of public tolerance towards corruption was calculated and illustrated in Figure 5.

Figure 5. Marginal effect of bribery on the public perception of bureaucratic corruption



As seen in Figure 5, the marginal effect of bribery on the public's perception of bureaucratic corruption is found only to be statistically significant when tolerance level ranges from 0 to 0.28. Therefore, within this range, the hypothesis that the effect of bribery on the public's perception of bureaucratic is conditional on the public's tolerance towards corruption has been confirmed: higher levels of tolerance decrease the effect that bribery has on the public perception of corruption. Furthermore, despite a decreasing marginal effect of bribery as shown in Figure 5, bribery still has a

positive marginal effect on the public perception of bureaucratic corruption over the range of tolerance level in which the marginal effect was found to be statistically significant and hence reaffirming the common belief that higher incidence of bribery leads the public to perceive a higher level of corruption present.

Institutional complexity and performance

In contrast to what was found in the model constructed for judicial corruption, where the perception of having complex, long and tedious procedures has a statistically significant effect on the people's perception of corruption in the judiciary, the proxy chosen to account for this effect in the bureaucratic model, namely the ease of doing business, is not found be to statistically significant. This surprising result might be due to the fact that the ease of doing business index is based exclusively on expert opinions and takes into account bureaucratic procedures that are more relevant for firms, such as: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency, which are not necessarily the bureaucratic procedures that the bulk of the citizens have to deal with and, therefore, has no statistically significant effect on the citizens' perceptions of corruption. It would be interesting to re-test this hypothesis with a proxy based on citizens' perceptions. However, the GCB does not contain any questions that could be used as alternatives.

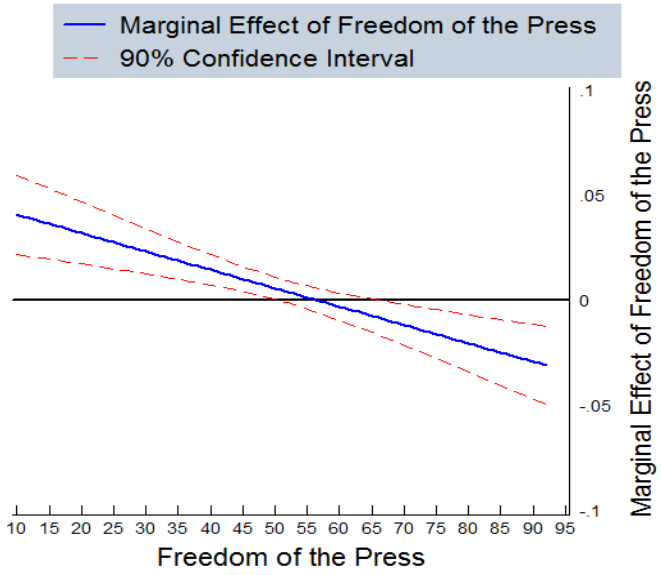
Oversight: Freedom of the press and CSOs

Just as for perceptions of judicial corruption, CSO proved not to be a statistically significant element in the regression, but the freedom of the press seems to be a significant explanatory variable for the people's perception of corruption in the bureaucracy. This confirms the hypothesis that non-governmental oversight mechanisms have an effect on the people's perception of corruption. However, since it was determined before that this variable has a quadratic effect on the dependent variable, it is necessary to look at its marginal effect to determine the interval over which its impact is statistically significant.

Figure 6 below, shows that the marginal effect of freedom of the press on bureaucratic corruption is statistically significant when freedom of the press adopts values below fifty or above sixty five. This variable behaves exactly the same way here as it did in the judicial model, but is significant across a wider range. Basically, low levels of perceived corruption can be encountered when the press is completely free or completely repressed. However, when the government starts to open up the media (i.e. when freedom of the press increases within the range of zero to fifty) the marginal effect is positive, meaning that the perception of corruption actually increases albeit at a decreasing rate.

In the middle range (between fifty-one and sixty-six), the variable is not significant. However, at higher levels of press freedom (above sixty-seven), the variable recovers its statistical significance, but with a negative marginal effect, meaning that in this last segment, increasing the freedom of the press helps to decrease the perception of corruption at an increasing rate.

Figure 6. Marginal effect of press freedom on perception of bureaucratic corruption



Economic performance and development

HDI, which was included simply as a control in the models, has a statistically significant impact on the citizens' perceptions of corruption. The positive sign of the coefficient for HDI indicates that the higher the level of HDI, the higher the citizens' perceptions of corruption. This could be attributed to the fact that with higher level of human development, people become more aware of their rights and in turn demands for greater horizontal accountability. Furthermore, economic performance was also found to be statistically significant and it has a negative effect on the people's perception of bureaucratic corruption. This means that greater economic performance will lead people to have a lower perception of bureaucratic corruption. In addition, there is also a statistically significant regional effect in both Latin America and the Caribbean and Sub Saharan Africa.

The perceptions of political corruption

Similar to the two other models that were described previously, the perception of political corruption will be explained by using the three main clusters of independent variables: experience of

corruption, complexity and performance, and governmental and non-governmental oversight mechanisms. This model is further complemented by an additional variable: political pluralism and participation. Furthermore, government expenditure as a percentage of GDP is also included in addition to HDI and economic to function as control variables. Finally, regional dummy variables to capture the time invariant regional effects were also included.

A key difference between this model and the ones used to explain the perception of judicial and bureaucratic corruption is that the GCB does not contain data that relates directly to the experience of political corruption through the means of paying a bribe. This is mainly due to the fact that in contrast to the courts and the bureaucracy, the political parties, the members of the parliament and other high level politicians are not in constant contact with the citizens. Due to the absence of data in the GCB to measure direct experience of political corruption, the paper postulates that the aggregated experiences of corruption with the government, regardless of the government branch or institution (judicial system, the bureaucracy in general or any public services such as health care and education) will affect and shape people's perception towards political corruption. It is expected that any type of corrupt interaction will have a negative effect of the people's perception of political corruption (i.e. more likely to perceive higher level of political corruption), since citizens might interpret their personal experiences as a symptom of systemic corruption.

As such, the percentage of respondents who admitted paying a bribe to either the judiciary, public officials or any kind of public service over the last 12 months were aggregated to account for the first cluster, i.e. the direct experience of corruption. This information was extracted from the GCB and this variable is expected to have a positive effect on the perceived level of political corruption: *the higher the number of people paying bribes to any kind of public institution, the higher the people's perception of political corruption*.

For the second cluster, wastefulness of government spending is used as an indicator of government performance. This variable, extracted from the 2010 WEF Executive Survey, measures if government spending is being allocated in an efficient manner to provide for necessary goods and services which the market fails to provide without government intervention. This index rates countries on a scale from one to seven, where one means that the government is being wasteful in its budget allocation. On the other end of the spectrum, a score of seven would then imply that the government is managing its budget in a proper and efficient way. Therefore, the paper postulates that inefficient budget allocation might be perceived as a symptom of corruption by the public, especially by those being deprived from certain public goods. For this reason, the public may become disgruntled and might question the ability and integrity of the political elites. Therefore, it is expected that *a higher degree of wastefulness of government spending will bring about an increase in the public's perception of political corruption*.

Similar to the two previous models, the third cluster, governmental and non-governmental oversight systems, includes both accountability of the government as operationalized by its transparency in policy making and two non-governmental watchdogs: the media and the civil society. Data measuring government transparency in policy making is extracted from the 2010 WEF Executive Survey. The values for this variable range from one- to seven in which a score of one corresponds to firms in the specific country not being clearly informed by the government of changes in policies and regulations affecting their industry. Conversely, a score of seven corresponds to firms admitting being well informed by the government on changes in policies and regulations. Since corrupt governments tend to only favor a small number of firms, there will be presence of large information asymmetry. Hence, given governments who have low level of transparency towards firms, it could then be argued that it will be highly likely that a similar phenomenon is extended to the government's interaction with the public. Therefore, *increasing governmental transparency will lead to a decrease in public perception of political corruption (i.e. improvement in perception of corruption)*.

In addition, both non-governmental elements of this cluster were measured with the same proxies used in the previous model: Freedom Houses' freedom of the press and the number of CSOs per million inhabitants. Heuristic tests performed on the independent variables also reveal the quadratic relationship between the dependent variable and the freedom of the press as shown in Graph 5. Therefore, the hypothesis formulated for both the judicial and bureaucratic model pertaining to the freedom of the press will also be tested for this model.

In contrast to the other models discussed previously, this model also includes an indicator that seeks to capture the extent of political competitiveness and political rights. It could also function as an additional oversight mechanism and is of great relevance especially when discussing political corruption since it entails power resources. This indicator is operationalized by the variable political pluralism and participation obtained from Freedom House. This indicator encompasses an examination of the right of the people to freely organize in political parties; the existence of an opposition with a realistic possibility to increase its support; the ability of the people to make political choices free from domination by the military, totalitarian parties or other powerful groups; and the existence of full political rights for all minorities. Countries are graded on a scale ranging from zero to sixteen in which a score of zero is considered to be the worst rating while a score of sixteen relates to the best. The increased presence of credible opposition adds to the political diversity and functions as a channel for checks and balances on the ruling government. Furthermore, increased political freedom and participation of the public will improve the democratic process and offers greater legitimacy of the government. Hence, *increasing level of political pluralism and participation will exert a negative effect on the perception of political corruption* (i.e. lower level of perceived political corruption).

Finally, the same economic and developmental variables that were used previously in the judicial and bureaucratic models as controls (HDI and average economic growth between 2007 and 2010) were also included in this model. Regional dummy variables are also included to control for time invariant regional effects and it should be noted that similar to the rest of the other models presented in this paper, the region Western Europe and North America is treated as the base category and is thus not included in the regression to prevent over-specification. In addition, government expenditure is also included in the model as a control for wastefulness in government expenditure as it would then provide meaningful insights on the ceteris paribus effect of wastefulness by holding all other variables, and most importantly, government expenditure across different countries constant. A summary of the independent variables used is then listed in Table 6.

Table 6. Summary of independent variables used in the perception of political corruption model

	Variable	Scale	Definition	Measurement	Source
DV	Political Corruption	1-5	Extent to which the political parties and the Parliament are perceived to be affected by corruption in the country.	Weighted average of responses. 1=not corrupt at all; 5=extremely corrupt	TI GCB
IV	Experience with Bureaucratic Corruption	0-1	% of respondents who admitted paying a bribe to bureaucrats in the last 12 months.		TI GCB
IV	Wastefulness of Government Spending	1-7	Rating of the composition of the public spending in the country.	1 = extremely wasteful; 7 = highly efficient in providing necessary goods and services	WEF
IV	Transparency of Government Policymaking	1-7	Possibility of obtaining information on changes in government policies and regulations affecting one's activities.	1 = impossible; 7 = extremely easy	WEF
IV	Political Pluralism and Participation	0-16	This variable encompasses an examination of the right of the people to freely organize in political parties; the existence of an opposition with a realistic possibility to increase its support; the ability of the people to make political choices free from domination by the military, totalitarian parties or other powerful groups; and the existence of full political rights for all minorities	Countries are graded between 0 (worst) and 16 (best)	Freedom House
IV	Freedom of The Press	0-100	Computed by adding four different ratings: Laws and regulations, Political pressures and controls, Economic Influences and Repressive actions	0= least free; 100= most free	Freedom House
IV	Civil Society Organizations	0- ∞	Number of civil society organizations per million inhabitants.		Grimes. M (2008)
IV	Government Expenditure	0- ∞	Government expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation.	General government final consumption expenditure (% of GDP)	WB
IV	HDI	0-1	Combines indicators of life expectancy, educational attainment and income into a composite index.	1= highest level of human development; 0=lowest level of human development	UN
	Economic Performance	0-100	Average GDP growth in the last 3 years (2007-2010)	GDP growth	WB

Region	dummy	Dummy variables for Western Europe and North America, Eastern Europe and post-Soviet Union (incl. Central Asia), Latin America and the Caribbean, North Africa and the Middle East, Sub-Saharan Africa, and East and South Asia and the Pacific		WB

The statistical model for political corruption

The model that explains the perceptions of political corruption includes data from 71 countries and has an R^2 of 0.55, meaning that the independent variables included could explain 55 percent of the variance of the dependent variable. During the course of the analysis, the model was found to violate the homoscedasticity (i.e. variance independence) assumption of OLS. Therefore, the paper makes use of the robust option in STATA to correct for potential bias in the standard errors caused by heteroscedasticity. As illustrated in Table 7, the coefficients of the variables freedom of the press, its quadratic term, HDI and the regional effects for Latin America and the Caribbean and Sub-Saharan Africa are found to be statistically significant. The regression output with the robust standard errors are reported and illustrated in Table 7.

Table 7. Regression output for perception of political corruption

	COEFFICIENTS
VARIABLES	Model 1
Log of Bribery Index	0.11
	(0.082)
CSOs per million	-0.00
	(0.005)
Freedom of the Press	0.05*
	(0.024)
(Freedom of the Press)^2	-0.00*
	(0.000)
Wastefulness	-0.09
	(0.129)
Government Expenditure	-0.01
	(0.011)
Political Pluralism & Participation	0.04
	(0.029)
Transparency of Government	-0.21
	(0.139)
Economic Performance	-0.03
	(0.037)
HDI	2.54*
	(1.275)
Eastern Europe and Post USSR	-0.20
	(0.208)
Latin America and the Caribbean	0.49*
	(0.270)

Middle East and North Africa	-0.24
	(0.495)
Sub Saharan Africa	0.85*
	(0.457)
East and South Asia	0.29
	(0.406)
Constant	1.86*
	(1.081)
N	71
R^2	0.55
Adj. R^2	0.42

Note: Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Experience of corruption

Given that there is an absence of measurement of direct experience of political corruption by the public in the GCB, the paper hypothesized that the experience of having paid a bribe to the judiciary, public officials or for public services in the last 12 months would have a positive effect on the citizen's perception of political corruption in their country. However, through the regression, it was found that experience of corruption via the judiciary, public officials and public services were found to be statistically insignificant. Therefore, this might then suggest that in the case of political corruption, in contrast to judicial and bureaucratic corruption, public's experience with corruption via the payment of bribes may not have an impact on their perception of political corruption and it is likely to be driven by other factors other than people's direct experience with corruption via bribery.

Institutional performance

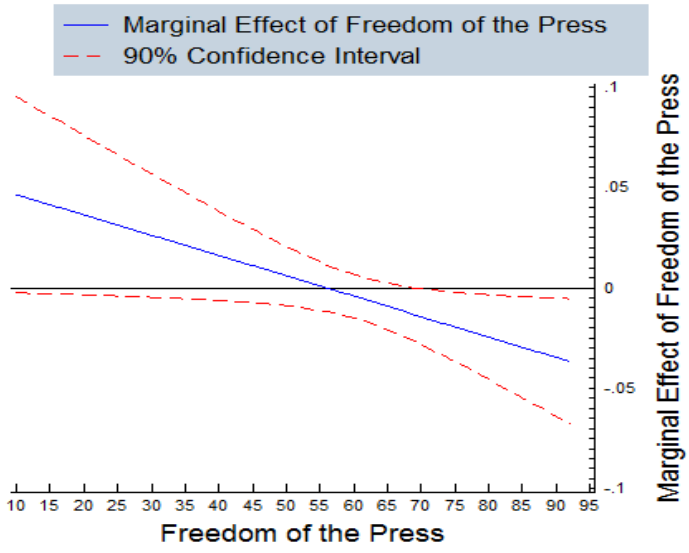
The variable wastefulness of government expenditure was selected in this model to capture the effect of governmental performance. However, from the regression analysis, the coefficient of this variable was not found to be statistically significant. Therefore, implying that the effect this variable has on the dependent variable could very well occur due to random chance. Moreover, even after controlling for government expenditure in the model, this variable has failed to become statistically significant. Hence, the hypothesis that an increase in wastefulness of government expenditure would lead to an increase in perception of political corruption could not be proven. This could be attributed to the fact that values for this variable was based on experts' opinion and therefore, there could possibly be a mismatch between what the public and experts perceive as wasteful as it is a very subjective opinion.

Oversight: Transparency, freedom of the press and CSOs

Similar to the results derived in the model for perceptions of judicial and bureaucratic corruption, the freedom of the press seems to be a significant explanatory variable for the people's perception of political corruption, which confirms the hypothesis that non-governmental oversight mechanisms have an effect on the people's perception of corruption. However, since it was determined before that this variable has a quadratic effect on the dependent variable, it is then necessary to look at its marginal effect to determine the interval over which its impact is statistically significant.

Figure 7 below, shows that the marginal effect of freedom of the press on political corruption is statistically significant when freedom of the press ranges from seventy three to ninety five. This variable behaves exactly the same way here as it did in the judicial model, apart from the fact that it is significant across a wider range. Basically, low levels of perceived political corruption can be encountered when the press is completely free or completely repressed. However, given low level of press freedom, when the government starts to open up the media the marginal effect is positive, meaning that the perception of corruption actually increases. However, this observed marginal effect was not found to be statistically significant. Similarly, the variable was also not found to be statistically significant in the middle range. However, at higher levels of press freedom (above seventy three), the variable recovers its statistical significance, but with a negative marginal effect, meaning that in this last segment, increasing the freedom of the press helps to decrease the perception of corruption at an increasing rate.

Figure 7. Marginal effect of freedom of the press on perception of political corruption



Political Pluralism and Participation

Interestingly, political pluralism and participation was found not to be statistically significant. Therefore, the hypothesis that an increase in political pluralism and participation will lead to a decrease in perception of political corruption could not be proven.

Economic performance and development

HDI, a control variable included in this model, proved to be significant and has a positive impact on the citizens' perceptions of corruption. In addition, statistically significant regional effects are also observed in Latin America and the Caribbean and Sub Saharan Africa.

Section 4: How to defeat Hydra? – Results & analysis

The previous sections of this paper show that it is possible to identify elements that explain the citizen's perceptions of corruption. The explanatory power of the variables chosen is different in each different categories of corruption: a big proportion of the variance in the perceptions of judicial and bureaucratic corruption can be explained by using variables that relate to institutional complexity, the direct experience of corruption, oversight mechanisms and socio-economic factors. The R^2 for these two models is 0.86 and 0.67 respectively. However, the citizens' perceptions of political corruption are harder to explain. The model constructed in the previous section only has a R^2 value of 0.55 and it does not include many statistically significant variables, hence making it the weakest of the three.

As expected, the experience of corruption and the existence of governmental and non-governmental oversight mechanisms to monitor the government's actions are important drivers of citizens' opinions on judicial and bureaucratic corruption. However, these elements are not significant to explain political corruption and only the freedom of the press has a statistically significant effect across the three models. The table below summarizes the statistically significant variables identified in the previous section:

	Judicial Corruption	Bureaucratic Corruption	Political Corruption
Experience of Corruption	Bribery	Bribery	-
Complexity / Performance	Inefficiency of judicial system	-	-
	Fairness of the judicial system	-	-
Oversight mechanisms	Freedom of the press	Freedom of the press	Freedom of the press
	Judicial independence	-	-
Socio-economic controls	-	Economic performance	-
	HDI	-	HDI
Regional Effects	Latin America	-	Latin America
	Sub-Saharan Africa	-	Sub-Saharan Africa

The experience of corruption proved to be a statistically significant driver of the people's perceptions of judicial and bureaucratic corruption, which falls in line with the hypothesis presented in the beginning of this paper. However, the actual experience of corruption through bribery does not play a role in defining the perceptions of political corruption among citizens. This proves that the people do not necessarily interpret their personal experiences of bribery as a symptom of systemic corruption among political elites. However, in both the judicial and the bureaucratic model, bribery has been proven to have a positive effect on the people's perception of corruption. This means that higher levels of bribery increase the levels of perceived corruption.

Despite proving the hypothesis that bribes play a role in shaping the people's opinions of corruption, it is worth noting that the substantive effect is very small: a one percent decrease in the experience of bribery with judicial authorities, for example, would lead only to a 0.0016 decrease in the perception of judicial corruption, which is measured on a scale from one to five. For the bureaucratic model, the effect of bribery is also very small and when one takes into account the conditional effect of tolerance towards corruption on bribery, the impact of bribery (i.e. marginal effect) on the people's perception of corruption gets reduced even further.

However, despite the apparent lack of substantive significance of experience of corruption on the people's perception of corruption, it still plays a role in shaping and influencing people's perception of corruption. Therefore, it can be argued that people's perception of corruption does indeed capture actual experience of the people and thus it should be used to triangulate with expert's opinion. In order to further reiterate the point that people's perceptions of corruption do encompass valuable information, such as experiences of corruption that is often lacking in expert's opinions and surveys, a scatter plot between CPI and the People's Perception Index (PPI)[5] was plotted as illustrated in Figure 8.

As seen in Figure 8, PPI could be observed to follow a similar trend with CPI. The only reason why it appears that PPI has a negative relationship with CPI is due to the way that PPI (1= least corrupt and 5= most corrupt) is coded as opposed to CPI (1= most corrupt and 10= least corrupt). Furthermore, the two indicators were also found to be fairly correlated given a Pearson's correlation coefficient of -0.47. Therefore, it can be argued that there could be a large area of overlap between expert's opinion and people's perception of corruption. Hence, reaffirming the central argument of this paper which states asserts that corruption measurement indicators should seek to triangulate between the two sets of indicators to provide a more robust and holistic assessment of the level of corruption in a country.

[5] PPI here is constructed by only taking the simple average of the people's perception of judicial, bureaucratic and political corruption.

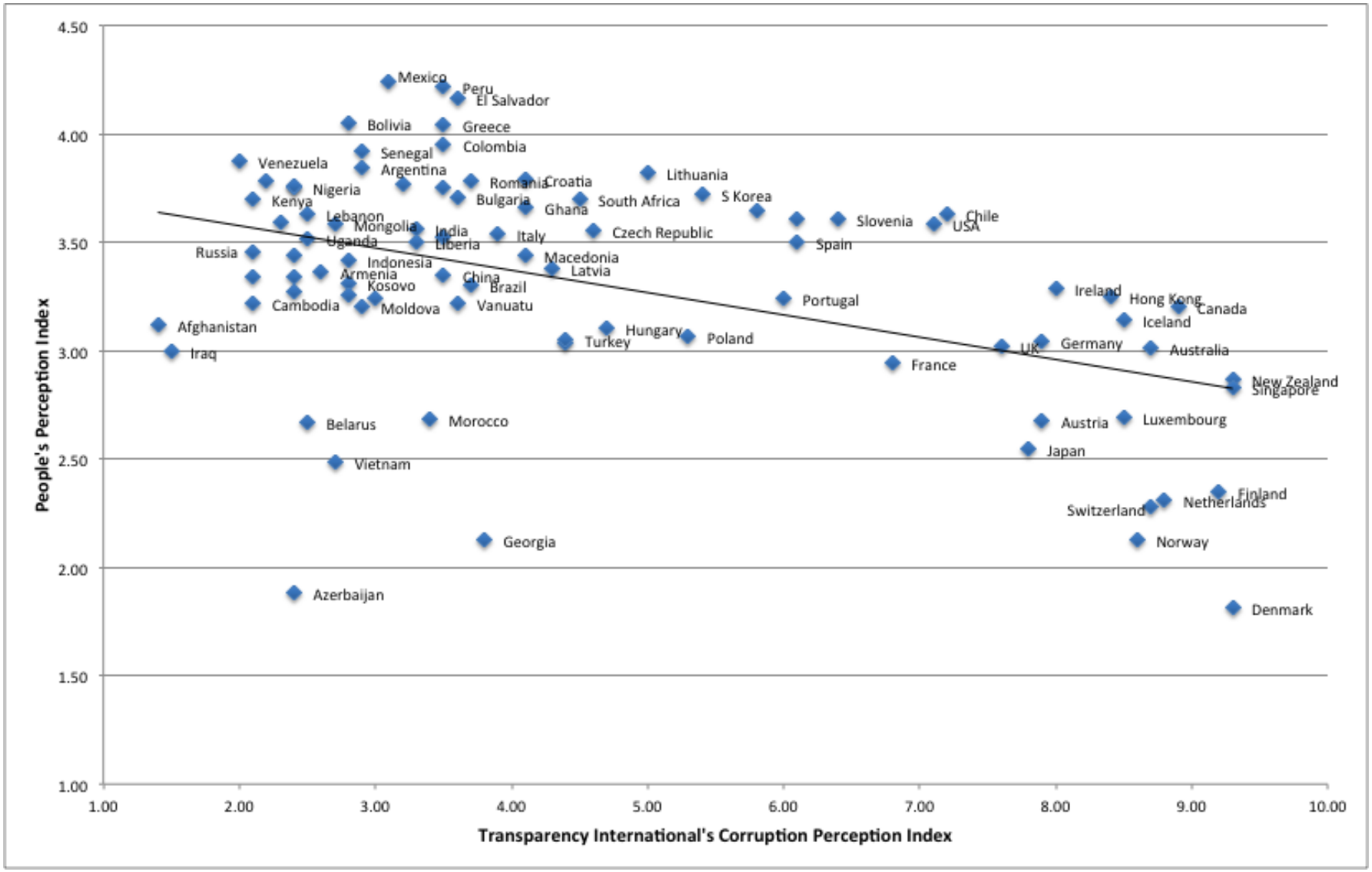
Another set of variables presumed to be relevant for explaining people's perceptions of corruption was the system complexity and institutional performance. Even though government formalities are important support public policies in many areas, administrative regulations can create unnecessary barriers to access public services or obtain certain benefits. As explained by the OECD, "regulations have become more complex and information-dependent, regulatory burdens have increased and many regulatory costs have shifted to citizens and businesses in the form of asking for permits and filling out forms" (OECD 2003: 8).

This cluster of variables turned out to be statistically significant only for judicial corruption. In this model, the number of respondents who believed that the justice system as complex led to a higher level of perceived corruption in the system. On the other hand, higher levels of perceived fairness of the system decrease the perception of judicial corruption. Schuck (1992: 3-5) considers a legal system as complex when "its rules, processes, institutions, and supporting culture possess four features: density, technicality, differentiation, and indeterminacy or uncertainty". This author then suggests that these four qualities are mainly what people mean when they describe the legal system as complex.

A free press seems to be a highly effective mechanism for external control of corruption: it is probably one of the most effective ways to uncover corrupt behaviors by government officials. This paper finds evidence of a significant relationship between higher press freedom and lower levels of perceived corruption among citizens in a large cross-section of countries. This result is very robust, since it proved to be significant for all the three types of corruption defined in this paper, namely judicial, bureaucratic and political.

The reason why the media is such an important player is that any independent journalist has a strong incentive to investigate and uncover stories of wrongdoing (Byrne 2003: 1). The effect of this incentive is twofold: on the one hand it increases the chances of a corrupt politician or public official to be caught in corrupt exchanges and gives the population the certainty that corruption, if it exists in the country, will be reported by the media. However, it is important to bear in mind that the relationship between freedom of the press and the perception of corruption among citizens is not linear, but follows an inverted U-shaped curve: countries where the press is controlled and censored have levels of perceived corruption comparable to those found in countries with a completely free media while citizens in countries in the middle range for press freedom exhibit a higher perception of corruption.

Figure 8. Comparing the People's Perception Index with CPI



Policy Recommendations

The recommendations presented in the following paragraphs do not only aim to reduce the actual level of corruption in a given country, but also to reduce the level of perception of corruption amongst the citizens. As already mentioned in this paper, a high level of perceived corruption can lead to reduced trust in government which in turn can impede effective governance and in a worst-case scenario even cause social unrest. Therefore, reducing people's perception of corruption is not only a welcome side effect of fighting corruption; it is a goal in itself. Each of the three models presented in this paper provides insight that can be used for making such recommendations.

E-government: reducing contact between citizens and public servants

The model looking at people's personal experience with corruptions shows that bribery is a statistically significant driver of their perception of corruption both for judicial and bureaucratic corruption. The model also showed that the effect was small. This, however, does not mean that fighting bribery is not important or that petty corruption can grow without any consequences. The effects of this variable might be underestimated due to under-reporting among respondents. However, since the real levels of bribery are impossible to measure, it is not possible to know with full certainty which countries are indeed under-reporting. Therefore, it should only be underlined that even if respondents are under-reporting their experiences with bribery, they still exhibit a positive and statistically significant effect on their perceptions of bureaucratic and judicial corruption and as already mentioned, lowering people's perception of corruption is a worthy policy goal on its own merits.

Reducing bribery however is no easy task and it requires multiple strategies. Therefore, an intuitive solution would then be to reduce contacts with public officials so as to minimize the opportunity for corrupt public officials to ask for a bribe. Building upon this chain of thought, investing in e-government platforms can then serve as a good strategy since it reduces contact of public officials with the citizens. Furthermore, through the digitalization of transactions, common transactions that involve payment of money can then be tracked and audited and it will also minimize the opportunity and ability for public officials to exhibit rent seeking behaviors and commit illegal acts such as bribery, extortion or any other type of malfeasance punishable by the law.

In order to further complement this strategy, the government could also incentivize the public to use this platform by charging a lower rate for online transactions in comparison to the traditional method of turning up physically at the relevant authorities to make payment. This approach may also have a positive spillover effect in the sense that by encouraging citizens to make their transactions online,

this could then reduce the waiting time over at the relevant authorities and thus ameliorating people's perception towards the complexity and inefficiency of governmental agencies or institutions.

However, one potential constraint and limitation to this approach would be the level of technical expertise and also the level of development of a country. Utilization of e-government platforms would then only be feasible and successful given that a country has adequate resources to implement it and that the bulk of the population are of a certain level of competency and have access to the internet.

Simplifying laws, regulations and cutting back red tape

The model dealing with institutional complexity and performance showed that this was significant for the judicial sector. This means that reducing the complexity and improving the performance of the judicial system can substantially decrease the perceived level of corruption among citizens. A case in point could be seen in Bolivia, the country with the highest level of perceived judicial complexity in the sample. Holding everything else constant, the effect of reducing the perception of complexity from the current level of 93% of respondents to the mean value of the sample (52%), could help reduce the perception of corruption by 0.332 units in a one to five scale.

Essentially, this means that a country could significantly reduce the level of perceived corruption among its citizenry by streamlining its laws. Such efforts could include making existing laws less complicated, getting old and rarely used laws off the books as well as public awareness campaigns to educate the general public about the workings of the legal system. In addition to reducing the complexity of the legal code, countries in which the perceived level of judicial corruption is high should also devote resources to improving the performance of the judiciary via increase in productivity and efficiency. Examples of such efforts could be investing in new infrastructure, such as computers, providing training for government employees working in the judicial sector or by simply hiring more people. Achieving a higher performance in the judiciary would not only lower the average citizen's perception of corruption, it could also contribute to lowering the actual corruption level: A slow working bureaucracy provides people with an incentive to speed up the process which in turn can lead them to engage in corrupt behavior. Therefore, possessing an efficient and less complicated judicial sector would then reduce the need for citizens to engage in such behaviors. Although the proxy for bureaucratic complexity (ease of doing business) turned out not to be statistically significant, streamlining procedures would also be of great help to counter bureaucratic corruption.

Improving the fairness of the judicial system

The perceived level of fairness in the judicial decisions also plays a part in forging the citizen's perceptions of corruption in the legal system. Improving the fairness of the judicial system could help countries like Bulgaria (the country with the lowest number of respondents believing in the fairness of the system) to decrease the perception of corruption among citizens by up to 0.246 units (in a one to five scale). Improving fairness can be a difficult endeavor, but one way of at least partly achieving this would be to make sure that judicial branch is actually independent from the two others branches of government (i.e. executive and legislative). This means, among other things, ensuring that the judiciary has the actual jurisdiction over all judicial matters as well as making sure that there is no undue interference with the judicial process, for instance from politicians.

External oversight mechanisms: the role of a free press

As discussed previously in this paper, there exist a non-linear, inverted U-shaped relationship between the people's perception of corruption and freedom of the press across all three forms of corruption. Therefore, this will then imply that the option of opening up the press is in fact, not a silver bullet that will automatically lead the people to perceive less corruption. On the contrary, the countries with highly repressed media that enjoy low levels of corruption perception might in fact experience an increase in the perception of corruption if they decide to increase the level of press freedom.

For this reason, even though media freedom could play an important role in the fight against corruption, it might be difficult to convince governments to remove media controls and abandon efforts to repress the media. This could be the case particularly for those countries ranked as "not free" (score below thirty) and for those considered "partly free" by Freedom House particularly those with a score below fifty: countries like Armenia, Bangladesh, Cambodia, Colombia, Georgia, Indonesia, Kenya, Mexico, Pakistan, Thailand, Ukraine and Zambia, among others, fall into this category. In cases like these, the media could become an important actor in fostering a culture of transparency by exposing an administration's activities, raising public awareness about corrupt behavior and practices, and by educating the public about the causes and consequences of corruption and its potential cures. Although, these activities can generate public opposition to corruption and aid in fighting this issue, the irony is that, despite allowing a higher level of press freedom might reduce the level of actual corruption, it simultaneously increases public awareness and perceptions of corruption, since the frequency with which citizens are exposed to corrupt acts and reports related to corruption has an impact on the public perception (Byrne 2010: 21).

However, not everything is lost as the people's perception of corruption can be used as an additional argument to convince and encourage countries with a partly free media, to remove the remaining hurdles standing in the way of a fully free press. Doing so in countries like Albania, Argentina, Bolivia, Brazil, Bulgaria, Croatia, India, Peru, the Philippines, Romania and South Africa, where a significant degree of media freedom can already be found and reports on corruption and government mismanagement are already hitting the news, allowing the media to consolidate as an additional monitoring mechanism is a good policy option to fight corruption, while reducing the people's perceptions of corruption.

One could ask, for example, how much an improvement in press freedom to the level of Norway (the country with the freest press) would affect the people's perception of corruption in the countries where the media is already partly free. Based on the estimates, obtained from the statistical models, one can argue that the effect might be substantial. As an example, in the case of Brazil, opening the press could bring the country closer to the perceived levels of corruption found in Canada, Finland and Switzerland for judicial, bureaucratic and for political corruption, respectively.

It is important to underline that although freedom of the press has a statistically significant effect on the reduction of the people's perception of corruption and that, as mentioned above, a free media can also help reduce the real levels of corruption, this policy does not work as a magic wand and other factors need to be taken into consideration. The quality of the media, for example, must be taken into account for this mechanism to work. Scholars and international organizations alike have pointed out that the media is not always an impartial judge: biases may lead to either under- or over- reporting corruption (Byrne 2010: 11). Therefore, the quality of the media is also important, since the "newspaper reader or television viewer cannot tell if a report has been confirmed by multiple sources, cannot evaluate the reliability of unnamed sources, and cannot know what stories have not been reported". (ibid)

Section 5: Conclusions

The goal of this paper was to examine the drivers behind the people's perception of corruption in order to gain a deeper understanding of this phenomenon. It was argued that the best way to approach corruption was to divide it into its smaller components, i.e study the different heads of the Hydra instead of viewing the monster as a giant entity. By doing so, several factors that affect the people's perceptions of corruption were identified and translated into concrete policy recommendations that could help in the fight against corruption.

Through the analysis, it was found that the experience of corruption itself is a statistically significant explanatory variable for the people's perception of corruption. However, its effect on the latter is small. This shows that the experience of corruption is not the only or the most important determinant of the citizen's perceptions of corruption. In fact, the direct experience of corruption with either the bureaucracy or the judicial system seems to be only the tip of the iceberg for citizens. The main drivers of people's perception of corruption are the lack of effective oversight mechanisms on the government activities and the poor/slow performance of the institutions they have contact with.

Based on these findings, this paper proposes that one of the best weapons to fight against the monster of corruption is a free media that can act as an additional check for the government's activities. This also implies granting the press, and hence all citizens, access to government records. A freedom of information act combined with a free media can help reduce both, the actual levels of corruption in a country, and the citizens' perceptions of the phenomenon. However, this applies only to countries with a partly free media.

Another measure that is highly relevant to fight the appearance of corruption is the institutional simplicity of different institutional procedures. This paper proved that judicial systems perceived to be slow or complex, are also perceived to be more corrupt. Although this did not hold true for the bureaucracy, it is highly possible that this is due to the indicator chosen to measure this effect. For this reason, cutting back red tape and ensuring well-performing institutions is also a way of reducing the risk of corruption and the appearance of corruption among the people.

In order to improve the citizen's perception of judicial corruption, the fairness of the judicial system must be improved, too. Doing this can be a difficult endeavor, but the statistical models prove that this could be achieved by ensuring the independence of the judicial system from the other government branches. Not only non-governmental oversight mechanisms proved to be significant to defeat the Hydra. Another important weapon lies within the government itself: citizens in countries with an independent judiciary seem to do better in both, citizens' and expert's perceptions of corruption.

Finally, even though bribery does not have a big effect, it is possible that this variable is being underreported in the surveys. For this reason it is better to be safe than sorry and minimize the opportunities for corrupt exchanges by reducing, when possible, the contact between citizens and public officials. One tool to do this is to invest in electronic platforms and encourage citizens to do their transactions via the internet. This solution, however, might be challenging in countries with low rates of internet access. In these cases, cutting back red tape might also be helpful.

This paper proves that mass surveys are a very useful tool in the study of corruption. Perceptions of corruption in mass publics give valid and valuable information. And if these studies are complemented with expert surveys, the potential to gather a deeper understanding of the monster of corruption is great. As a simple example, triangulating expert's opinions and citizen's opinions can guide our fight against the Hydra. The following table summarizes the four possible scenarios that can emerge when comparing citizen's to expert's opinions and shows how this interaction can point at the right strategy to attack the problem.

		Perceived level of corruption by experts	
		Low	**High**
Perceived level of corruption by citizens	**Low**	Continue on the same path / no action needed	**Awareness raising by CSOs and NGOs required**
	High	**Analyze the sources that lead PPI to be high 7 better communication strategy between government and citizens might be needed**	Need for immediate action / State reforms necessary

When both, experts and citizens, assess the levels of corruption in their certain country to be low, this could be a sign of a successful anticorruption policy. If they agree that the levels are high, this would call for immediate action, and should be interpreted as a red flag by the government to design and enforce an overarching anticorruption strategy that includes the elements identified in this paper as effective tools to counter corruption.

Moreover, when a discrepancy between citizens' and experts' arises, governments and scholars should not dismiss these results. As proved above, citizens' opinions are not simply noise in the data, as they incorporate valuable information obtained from experiences and they follow the same tendency as the experts'. Therefore, when a gap exists between the citizens' and experts' opinions, governments and scholars should find out the reasons behind this phenomenon.

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Appendix 1. Corruption Perception Index 2010 Sources of Information

Number	1	2	3
Abbreviation	ADB	AFDB	BTI
Source	Asian Development Bank	African Development Bank	Bertelsmann Foundation
Name	Country Performance Assessment Ratings	Country Policy and Institutional Assessments	Bertelsmann Transformation Index
Year published	2010	2010	2009
Internet	http://www.adb.org/Documents/Reports/Country-Performance-Assessment-Exercise/default.asp	http://www.afdb.org/pls/portal/url/ITEM/5008432D529957FAE040C00A0C3D3A86	http://www.bertelsmann-transformation-index.de/english
Who was surveyed?	Country teams, experts inside and outside the bank	Country teams, experts inside and outside the bank	Network of local correspondents and experts inside and outside the organisation
Subject asked	Transparency, accountability, and corruption in the public sector	Transparency, accountability, and corruption in the public sector	The government's capacity to punish and contain corruption
Number of replies	Not applicable	Not applicable	Not applicable
Coverage	28 countries (eligible for ADF funding)	53 countries	128 less developed and transition countries

Number	4	5	6
Abbreviation	CPIA	EIU	FH
Source	World Bank (IDA and IBRD)	Economist Intelligence Unit	Freedom House
Name	Country Policy and Institutional Assessment	Country Risk Service and Country Forecast	Nations in Transit
Year published	2010	2010	2010
Internet	http://go.worldbank.org/S2THWI1X60	www.eiu.com	http://www.freedomhouse.hu/index.php?option=com_content&task=view&id=196
Who was surveyed?	Country teams, experts inside and outside the bank	Expert staff assessment	Assessment by experts originating from or resident in the respective country
Subject asked	Transparency, accountability, and corruption in the public sector	The misuse of public office for private (or political party) gain: including corruption in public procurement, misuse of public funds, corruption in public service, and prosecution of public officials	Extent of corruption as practiced in governments, as perceived by the public and as reported in the media, as well as the implementation of anti-corruption initiatives.
Number of replies	Not applicable	Not applicable	Not applicable
Coverage	77 countries (eligible for IDA funding)	135 countries	29 countries/territories

Number	7	8	9
Abbreviation	GI	IMD	
Source	Global Insight	IMD International, Switzerland, World Competitiveness Center	
Name	Country Risk Ratings	IMD World Competitiveness Yearbook	
Year published	2010	2009	2010
Internet	http://www.globalinsight.com	www.imd.ch/wcc	
Who was surveyed?	Expert staff assessment	Executives in top and middle management in domestic and international companies	
Subject asked	The likelihood of encountering corrupt officials, ranging from petty bureaucratic corruption to grand political corruption	Category Institutional Framework - State Efficiency: "Bribing and corruption exist/do not exist"	
Number of replies	Not applicable	3960	
Coverage	201 countries	57 countries	58 countries

Number	10	11
Abbreviation	PERC	
Source	Political & Economic Risk Consultancy	
Name	Asian Intelligence Newsletter	
Year published	2009	2010
Internet	www.asiarisk.com/	
Who was surveyed?	Expatriate business executives	
Subject asked	How serious do you consider the problem of corruption to be in the public sector?	
Number of replies	1750	2174
Coverage	16 countries	16 countries

Number	12	13
Abbreviation	WEF	WEF
Source	World Economic Forum	
Name	Global Competitiveness Report	
Year published	2009	2010
Internet	www.weforum.org	
Who was surveyed?	Senior business leaders, domestic and international companies	
Subject asked	Undocumented extra payments or bribes connected with 1) exports and imports, 2) public utilities, 3) tax collection, 4) public contracts and 5) judicial decisions are common/never occur	
Number of replies	More than 12,000	More than 13,000
Coverage	133 countries	139 countries

Appendix 2. Questions used for the construction of the tolerance indicator

Scenario 1

Upon entering the public office, the public official looks at the application and describes how complicated it can be to get a license. He complains about his workload and how much paperwork it takes to provide the license. Your friend the shopkeeper is worried his application for a business license may be rejected. He offers a payment, roughly equal to five times the price of a good restaurant meal. The public official takes the money and issues the license.

1) Was the public official's behavior acceptable?
1 Yes
2 No
9 Don't know/Refused

2) Was the shopkeeper's behavior acceptable?
1 Yes
2 No
9 Don't know/Refused

3) Was the payment/gift a bribe?
1 Yes
2 No
9 Don't know/Refused

Scenario 2

Imagine a different situation for your friend, the shopkeeper. While he is applying for the business license, the public official he is dealing with mentions the amount of paperwork and difficulties involved, but he still manages to issue the license. As he hands the license to the shopkeeper, he mentions how thankful many of his clients are for his work. A tipping box is located outside the public official's office. The shopkeeper puts banknotes into this tipping box, roughly equal in value to five times the price of a good restaurant meal.

1) Was the public official's behavior acceptable?
1 Yes
2 No

9 Don’t know/Refused

2) Was the shopkeeper’s behavior acceptable?
1 Yes
2 No
9 Don’t know/Refused

3) Was the payment/gift a bribe?
1 Yes
2 No
9 Don’t know/Refused

Scenario 3

Imagine yet another situation for your friend, the shopkeeper. He knows that his nephew is well acquainted with the local public office, so he asks his nephew to help get the business license. The nephew sets out for the public office and returns soon thereafter with the business license, without mentioning how this was arranged. A few months later, the shopkeeper’s nephew asks the shopkeeper to provide a donation to the annual party of the license department in the local public office. The shopkeeper then delivers a gift for the party, roughly equal in value to five times the price of a good restaurant meal. He also attends the party and thanks the responsible public official for issuing the license.

1) Was the public official’s behavior acceptable?
1 Yes
2 No
9 Don’t know/Refused

2) Was the shopkeeper’s behavior acceptable?
1 Yes
2 No
9 Don’t know/Refused

3) Was the payment/gift a bribe?
1 Yes
2 No
9 Don’t know/Refused