

Causes and permanence of corruption, the role of trust, and social dilemmas: The case of Ecuador[†]

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ABSTRACT

The present study aims to discuss corruption, its causes, and its persistence using the research agenda proposed by Bo Rothstein. As a rule, studies and theories have analysed corruption using structural variables like the economy, social development, and democracy, among others. Nevertheless, little has been explained about the role of other—non-structural—variables in generating and sustaining corruption, such as interpersonal/institutional trust and social dilemmas. Therefore, this study will use data obtained from the Vanderbilt University project Americas Barometer in 2014 to analyse the case of Ecuador. The objective of this paper is twofold: first, to contrast the claims of major theories of structural causes of corruption with what is observed in Ecuador, and second, to use Rothstein's framework to assess the links between trust, social dilemmas, and corruption in the selected case study. From this analysis, we can assert that the hypotheses constructed by Rothstein are confirmed in the case of Ecuador. On the one hand, there seems to be a positive correlation between vertical and horizontal trust in the country. On the other hand, looking at the fitted models, it is also possible to claim that there is a negative association between interpersonal trust and the perception and persistence of corruption in Ecuador.

Keywords: corruption, trust, interpersonal, institutional, structural, social dilemmas, Ecuador, causes, persistence.

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Causas y permanencia de la corrupción, el rol de la confianza y los dilemas sociales: el caso de Ecuador

RESUMEN

El presente estudio, plantea discutir la corrupción, sus causas y permanencia, usando la agenda de investigación planteada por Bo Rothstein. De manera general, estudios y teorías han analizado la corrupción, asociándola a variables estructurales tales como: la economía, desarrollo social, democracia, entre otros. Sin embargo, poco ha sido estudiado respecto al rol que otras variables «no estructurales» como la confianza interpersonal y los dilemas sociales juegan en generar y mantener la corrupción. Es por esto, que en el presente estudio, utilizará la base de datos (2014) del proyecto «Barómetro de las Américas» de la Universidad de Vanderbilt, para analizar el caso del Ecuador (país en vías de desarrollo, con altos índices de corrupción). De esta forma, los objetivos del presente estudio son dos: Primero, contrastar lo que las teorías estructurales de corrupción sugieren, versus lo que se observa en el caso ecuatoriano y segundo usar las propuestas teóricas y metodológicas de Rothstein para corroborar o rechazar la correlación entre confianza, dilemas sociales y corrupción en el caso del Ecuador. Por un lado, al parecer, existe en el caso de Ecuador, una correlación positiva entre confianza horizontal y vertical (interpersonal e institucional). Al mismo tiempo, se desprende de los modelos aplicados, que existe una asociación negativa entre la confianza interpersonal y la percepción y permanencia de la corrupción en el caso del Ecuador. **Palabras clave:** corrupción, confianza, interpersonal, institucional, estructural, dilemas sociales, Ecuador, causas, permanencia.

INTRODUCTION

Corruption has been present throughout the history of mankind, and as per international organizations such as the World Bank (2013), it has hindered development over time. Corruption is usually compared to a highly contagious disease within a society that rots and erodes all its parts (Shabbir & Anwar, 2008).

One of the key findings about corruption is that the developing world suffers from it to a greater extent than developed countries (Aidt, 2003). This finding has been corroborated through time by major corruption indices, including the Corruption Perceptions Index by Transparency International and the World Competitiveness Report.

With these findings in mind, one key challenge for developing countries has been to produce transparent institutions that bring about non-corrupt governmental structures and societies (Andvig & Moene, 1990). Latin America has typically been a case study, given that corruption is widespread in most countries in the continent (LAPOP, Latinobarómetro, Transparency International)¹.

Additionally, corruption in this part of the world appears to be resilient, refusing to be vanquished despite major efforts and reforms. As a result, corruption has become widely accepted and perceived as “functional to the maintenance of a political system in the same way that reform is” (Huntington, 1968).

Hence, several questions must be addressed, such as: what generates corruption? Why do citizens or bureaucrats engage in corrupt activities? Why is corruption approved or seen as necessary? Most of the time, when formulating answers to these and other major questions about corruption, structural variables have been analysed and theories that link those variables to corruption have been brought forward (Bertrand, Djankov, Hanna & Mullainathan, 2007). Nevertheless, one of the major principles of how corruption works is grounded on individual choices and social behaviour (Rothstein, 2000).

Rothstein’s work on the link between trust, social dilemmas, and corruption (2000, 2013) is therefore groundbreaking as it represents an effort to approach corruption through individual interactions, namely interpersonal trust and social dilemmas. Until now, literature regarding Ecuador has focused heavily on macro-level explanations of corruption, in concordance with what is observed in other South American countries.

¹ The extent of corruption is such that, in the past 25 years, presidents of Ecuador, Peru, Argentina, and Bolivia, among others, have been impeached on corruption charges.

Consequently, the purpose of this paper is twofold: first, to produce a better understanding of the causes and permanence of corruption by applying the framework developed by Rothstein in “Trust, Social Dilemmas and Collective Memories” (2000) and “Corruption and Social Trust: Why the Fish Rots from the Head Down” (2013) to the case of Ecuador. Second, this paper aims to assess if Rothstein’s findings and research agenda, which link interpersonal and institutional trust and social dilemmas to corruption, can be applied to the Ecuadorian context.

The paper will be organized as follows: (i) literature review including an analysis of the structural causes of corruption and the alternative constructed by Rothstein on interpersonal/institutional trust, social dilemmas, and their relation to corruption and its persistence, (ii) an analysis of Ecuador and its evolution in several structural variables associated with corruption, (iii) methodology and data collection, (iv) discussion of the findings, and (v) conclusions.

THE STRUGGLE TO DEFINE AND UNDERSTAND CORRUPTION

Scholars have defined corruption in simple terms as “the use of public goods for private gain” (Gerring & Thacker, 2004). More broadly, authors like Klitgaard propose an alternative, more sophisticated approach that defines corruption as “the outcome of a weak state administration that shows up when an individual or organization has monopoly power over a good or service, discretion over making decisions, and limited or no accountability” (Klitgaard, 2009).

Additionally, other authors have also analysed corruption as a multidimensional phenomenon, defining it as a “behaviour which deviates from the formal duties of a public role because of private-regarding wealth or status gains: or violates rules against the exercise of certain types of private-regarding influence” (Johnston, 1982).

Consequently, one of the main challenges of comprehending corruption is to properly define it. This challenge, as presented by authors such as Von Alemann (2006), occurs because corruption is usually demarcated as single-dimensional. This is problematic because corruption cannot be fully comprehended as a single element. On the contrary, it must be studied and analysed on the different social dimensions on which it operates.

The definition of corruption is tied to how its potential causes can be evaluated. Since corruption itself is multidimensional, it has been linked to several variables over time (Fisman & Svensson, 2007); as a result, it appears to be

the cause for several other occurrences such as underdevelopment, lack of economic growth, or failure of democracies over a certain period of time, but in a different period of time it appears to be the consequence of these variables (Huntington, 1996). Therefore, there is no consensus on the directionality between corruption and its causes/consequences. Authors such as Caiden have gone as far as stating that “given the complexity and multi-causality of corruption, it would be impossible to associate it to a single cause” (Caiden, 2008).

Thus, corruption should not be assessed as absolute, given that it operates in a social realm and is embedded in values that change its meaning over time. For that reason, the moral and ethical judgements attached to corruption are ambiguous—i.e., corruption can be deemed “higher or lower” or “better or worse” depending on several factors, mainly the current social values at play (Levy, 2007).

Corruption has been widely studied as part of the arrangements within a society. Rose and Peiffer (2015), for example, explained that societies which lack formal arrangements to deliver services or to satisfy citizens’ needs tend to be corrupt in nature. However, these arrangements are not only accepted by citizens but also embedded in the functioning of society and governmental activity.

Therefore, even when there seems to be evidence that points out the multidimensionality of corruption, it has persistently been assessed using single-dimensional explanations, and variables such as quality of democracy, degree of decentralization, economic growth, social development, and government intervention in the economy, to name a few, have been used to explain corruption and understand its causes and permanence over time.

STRUCTURAL EXPLANATIONS OF CORRUPTION

Structural explanations of corruption are those that focus on the general circumstances that afflict a society, such as the lack of economic growth or weak institutions. These explanations overlook the explanatory power of micro-level analysis focused on relations between individuals as part of society.

The first structural variable, which will be discussed as a possible explanation for corruption, is governmental activity. Several studies have found a positive association between the absence of government and corruption. Authors such as Klitgaard (1988), Kaufmann and Wei (1999), and Mauro (1995) conclude that limiting the presence of government in economic affairs forces activities to be based on free competition. Therefore, there is no need for government

officials to regulate or sanction this sort of activities. In turn, this means that private actors (investors, stakeholders, etc.) do not need to recur to bribes or engage in corrupt traits to shape the decisions of bureaucrats. Under this scenario, corruption is less likely to be present in social relations.

On the contrary, other studies claim that the association between government activity and corruption is negative (Hopkin & Rodriguez-Pose, 2007). According to these studies, government regulation and anti-corruption measures to control economic activities have a positive effect in discouraging private actors and public officers from engaging in corruption. However, this perspective takes for granted the presence of strong institutions with the ability to act as proper watchdogs and prosecute those who do not comply with the norms (Shabbir & Anwar, 2008).

A second structural variable is the degree of economic development of a country. This analysis establishes that corruption can be observed as generally widespread in countries that underperform in economic terms (Lancaster & Montinola, 1997). This implies that countries with solid economies or that are going through a sustained period of economic development are less prone to suffer from corruption at high rates (Toke, 2009; Wei, 1999).

However, other authors such as Daniel Treisman (2000) developed studies where he found that, by simultaneously controlling the effect on corruption of variables like levels of income and economic development, less economically developed countries—e.g., in Latin America or Asia—were not significantly more corrupt than the developed economies of Europe and North America (Treisman, 2000). It can then be inferred that the impact of economic development in causing and sustaining corruption is marginal rather than absolute.

A third structural variable that has been linked with corruption is the state of democracy². The major tenant of these studies is that countries with healthy democracies tend to be less corrupt than autocratic or dictatorial models of government. These theories argue that transitional democracies or societies with weak democratic institutions that do not respond to the needs of their population are usually more corrupt (Moran, 2001). These studies also claim that countries that have experienced recent transitions from authoritarian regimes into democracies tend to be more corrupt (Przeworski and Limongi, 1993). This is significant when comparing the corruption levels of countries with consolidated democracies in Europe and North America (Canada and the United States) to those of developing countries (Moran, 2001).

² This includes satisfaction and support of democracy.

On the other hand, authors such as James R. Hollyer (2011) and Eric Chang (2009) claim that, given the conditions of authoritarian governments, it is expected from societies under this form of government to be less prone to corruption due to either loyalty or fear of the system and the people leading it. Hence, a sudden change towards democracy would only marginally affect the outcome in the levels of corruption.

Another structural variable used as a potential structural explanation of the causes and permanence of corruption is decentralization. Authors such as Fisman and Gatti (2007) found a negative association between the degree of decentralization and corruption. The more centralized the government, the higher the scores on corruption. The main hypothesis behind this notion is that centralized governments, as a rule, are less transparent and accountable; therefore, officials are able to take part in corrupt practices (Fan, Lin, & Treisman, 2008).

On the other hand, authors such as Prud'homme (1995) maintain that decentralization comes with an intrinsic danger. Local authorities are isolated and far away from control mechanisms, so they are more prone to corruption because it is easier for them to get away with it. Prud'homme (1995) also points out that local authorities tend to ask for bribes and other corrupt mechanisms as prerequisites to provide citizens with services.

TRUST, SOCIAL DILEMMAS AND CAUSES OF CORRUPTION

Rothstein's theory on how trust and social dilemmas are at the heart of corruption is a major alternative to the structural streams. In "Trust, Social Dilemmas and Collective Memories" (2000), Rothstein developed insights on the impact of mutual trust and trust in institutions on corruption.

The methodology employed at the time went as follows: I) survey citizens on whether they trusted different political and societal institutions II) correlate this variable with interpersonal trust. To measure the second variable, citizens were questioned on whether they trusted others or not.

The core finding was that there is in fact a positive correlation: the more people trust each other, the more they trust institutions. Rothstein then concluded that both interpersonal and institutional trust had a positive correlation and claimed that the main discrepancy between levels of corruption, comparatively speaking, had to do with the intertwined relation between interpersonal

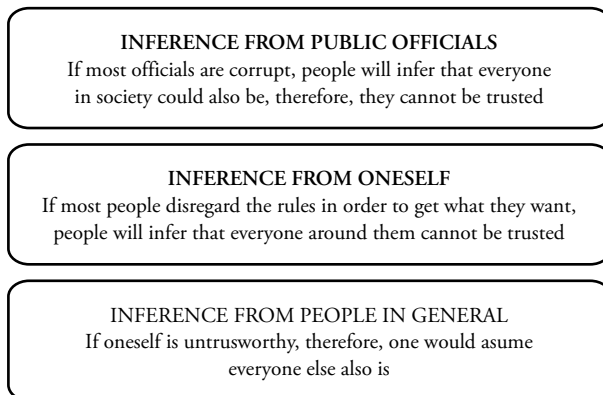
and institutional trust. Additionally, Rothstein proposed further alternative research agendas to properly assess these assumptions.

Circa 2013, Rothstein analysed how the key challenge to understand the causes of corruption was to find out how social trust affects individual behaviour. On his paper “Corruption and Social Trust: Why the Fish Rots from the Head Down” (2013), the analysis focused on the relationship between vertical and horizontal—i.e., interpersonal and institutional—trust and how trust within a society is fundamental to understand corruption. Rothstein concluded that in any given society, mutual trust and trust in institutions, or a lack thereof, could potentially lead to two opposing scenarios.

On one end, corruption is not likely to occur in societies with high levels of trust among citizens, given that everybody abides by the law because they have reasonable expectations for the remaining members of society to do so. This observation includes public officers, which means that, under these “trustful” circumstances, public officers are not expected to entertain corruption. The other possible scenario, as proposed by Rothstein, is that societies that lack social trust will be prone to corruption, as this lack of trust drags both citizens and bureaucrats into corrupt practices such as bribes and tax avoidance, among others. Since most individuals perceive that others are not going to play by the rules of the social contract, corruption in turn becomes widespread (Rothstein, 2013).

One of the new points that Rothstein postulates in this new study is how people develop trust among each other. For Rothstein, there are at least three mechanisms (as shown in graph 1) through which citizens’ trust in others is developed.

Graph 1. Rothstein interrelated causal mechanisms to generate trust or mistrust



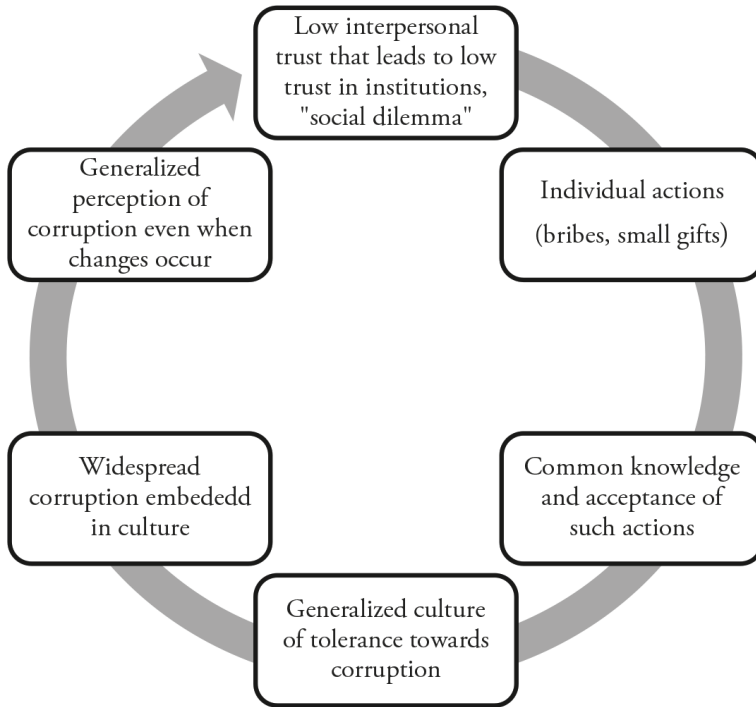
Rothstein's causal mechanisms indicate that individuals, being a part of society, cannot possess perfect information about the world that surrounds them, so they have to go through a learning process that draws upon their own perceptions and those they get from the ones surrounding them (Rothstein, 2013). Consequently, citizens can only hope to formulate their criteria of whether to trust those around them by reflecting on their perceptions of the events happening around them. For that reason, Rothstein proposes a three-fold typology of how citizens construct their notions of mutual trust. As illustrated in graph 1, individuals in a society learn by observing public officials, themselves, and those surrounding them.

Beyond these causal mechanisms, Rothstein does further explain that the assumptions and perceptions that people construct are not necessarily correct or related to personal experiences. On the contrary, individuals in a society rely heavily on a large set of "collective memories, hearsays and rumours from an integral part of this history" (Rothstein, 2013). This is why individuals within a society have no choice, and the only way in which they form their beliefs is through whichever information is available to them, whether it corresponds to an actual reality or not.

Using the aforementioned analysis, it is possible to summarize Rothstein's framework, which points out an existing correlation between interpersonal and institutional trust. This self-reinforcing reality is based mainly on notions of reciprocity, or what he refers to as "social dilemmas"³. Therefore, corruption cannot be understood solely from an institutional/structural perspective. By using Rothstein's research agenda, it is possible to comprehend corruption at an individual level: trust, reciprocity, and self-reinforcement. In short, corruption occurs when no individual follows the rules because he or she expects the rest not to follow them.

³ As described above, this is defined as the dilemma of individuals within a society: to either comply with the social pact, and hence not engage in corruption, or to disregard the rules and engage in corrupt activities in order to achieve some form of economic or wellbeing advancement (Rothstein, 2000).

Graph 2. Self-reinforced mechanism of corruption in societies with low interpersonal trust



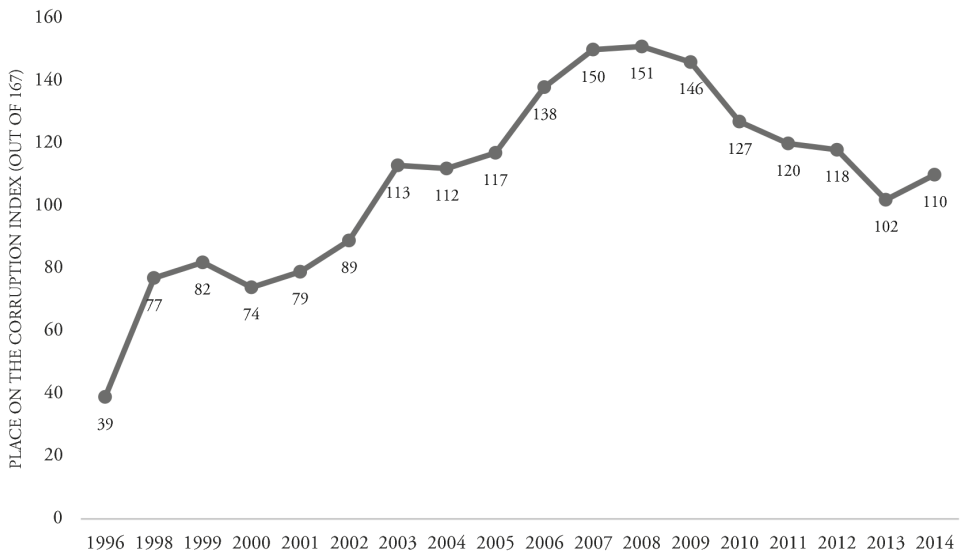
While Rothstein's work offers a new scope, some of his insights have also been explored by other authors. Canache and Allison (2005) assessed interpersonal trust as an explanation for citizens disobeying social rules. A key finding is that citizens are likely to cheat if they cannot trust others in society. This principle can also be applied to state-sanctioned actors—i.e., bureaucrats, police, etc.: if they do not expect the rest of their peers to play by the rules, then it does not make sense for them to do so. Under these circumstances, corruption exists and is sustained due to a lack of collective action and mutual trust.

Moreover, Kendhammer (2014) highlight that one outcome of the lack of interpersonal trust and trust in institutions is that citizens embrace corruption. Furthermore, this relation between trust and corruption leads to the latter being self-sustained. In the cases of Nigeria and Estonia, this self-enforcement mechanism became so potent that people would not see corruption as an uncommon behaviour, but as the rule on which to base their social activity and interactions (Kendhammer, 2014).

A TALE FROM ECUADOR

Historically, Ecuador has been characterized by weak institutions, interrupted periods of democracy, and a lack of economic and social development. Nevertheless, this cycle was interrupted in 2006 with the birth of a stable democratic period followed by sustained economic growth and social justice. Yet Ecuador continues to be perceived as a highly corrupt country, as graph 3 shows.

Graph 3. Corruption Index of Ecuador

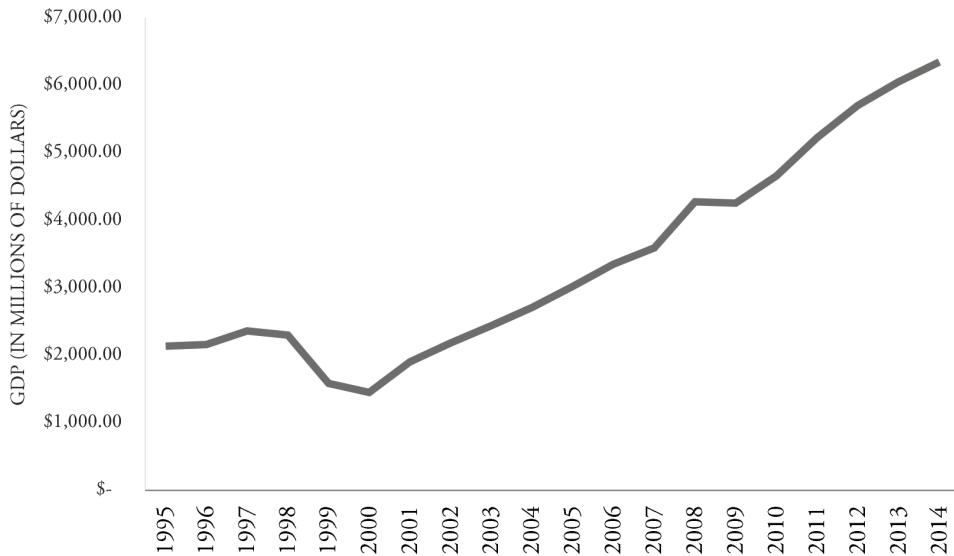


Source: Transparency International, 2014.

By taking a closer look at Ecuador's development over time, it is possible to debunk several myths attached to the corruption levels in the country. For example, if we look at its economic growth and relate it with corruption levels, this relation seems clearly insufficient, as Ecuador has experienced a sustained growth while sustainably reducing poverty at the same time (as shown by graphs 4 and 5).

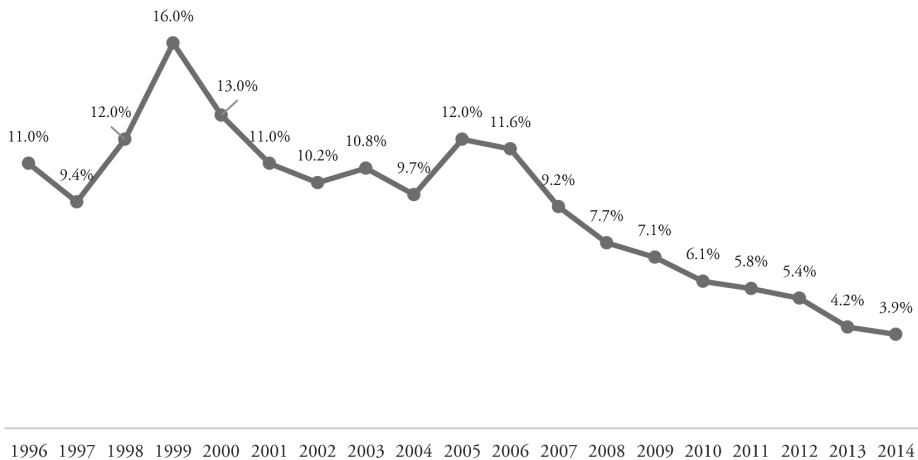
Aside from economic explanations, we can also look at satisfaction with democracy. Historically, Ecuador has suffered from democratic instability. The latest abrupt change of the political order took place in 2004, when the elected president at the time was overthrown by the population (Naranjo, 2014). Nevertheless, Ecuador has enjoyed democratic stability since that year, and overall, citizens' trust and satisfaction with democracy has steadily increased, as shown in graph 6.

Graph 4. Historical GDP of Ecuador



Source: International Monetary Fund (2014).

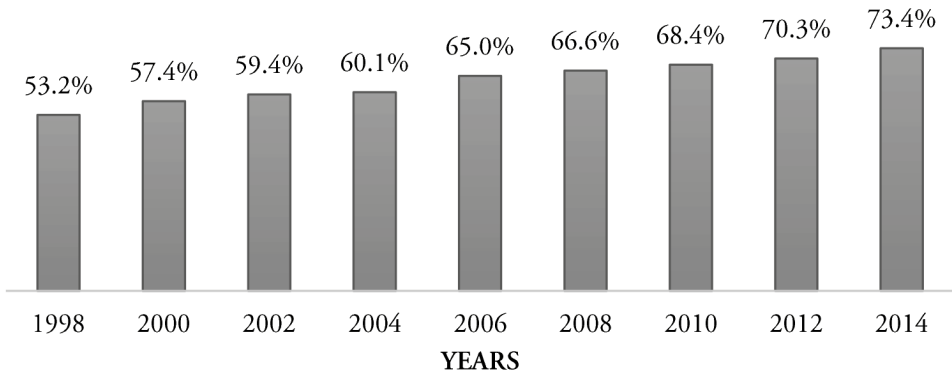
Graph 5. Poverty in Ecuador as a percentage of the population



Source: World Bank (2014).

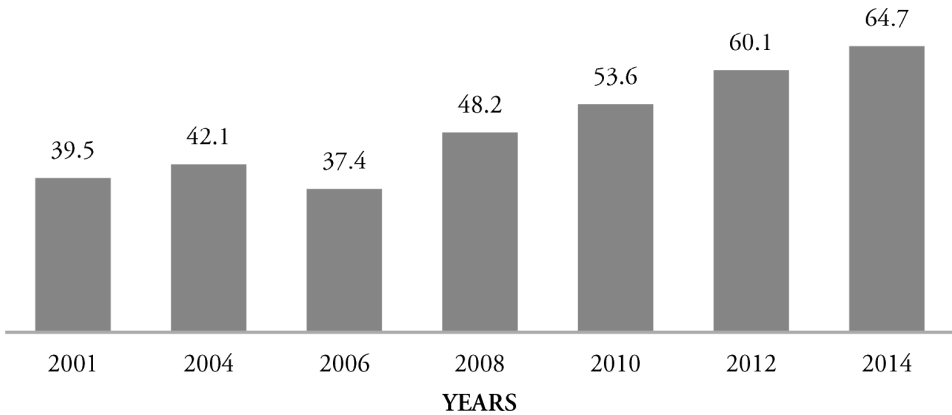
Furthermore, Ecuadorians seem to have increased their support of political institutions and appear optimistic about the presence of government regulation, as shown in graph 7.

Graph 6. Ecuador, trust and support of democracy



Source: LAPOP (2014).

Graph 7. Support of Ecuadorians for the political system and regulation



Source: LAPOP (2014).

This shifting reality is related to political will and several new laws which have aimed to strengthen transparency and accountability. Examples include the transparency law for public affairs (2011) and the anti-corruption national plan and legislation (2008). Moreover, the creation of new government bodies, such as the National Council for Social Participation and Social Control,

sought to foster citizens' trust and support of the political system through direct oversight. Consequently, the argument that links a potential lack of political support to corruption, in the specific case of Ecuador, seems to become less plausible.

As is the case with the rest of the observed variables, people's satisfaction and approval of local governments in the past decade has been on a steady rise, as shown in graphs 8 and 9. In addition, participation in local politics has expanded as Ecuador has implemented and further adopted decentralized mechanisms of participation that are prominent nowadays in South America, such as participatory budgeting and Empty Chair⁴.

In consequence, it seems that Ecuadorians nowadays have more trust in local governments. In fact, they appear to favour granting them at least the same amount of power, or even more, than they would the central government.

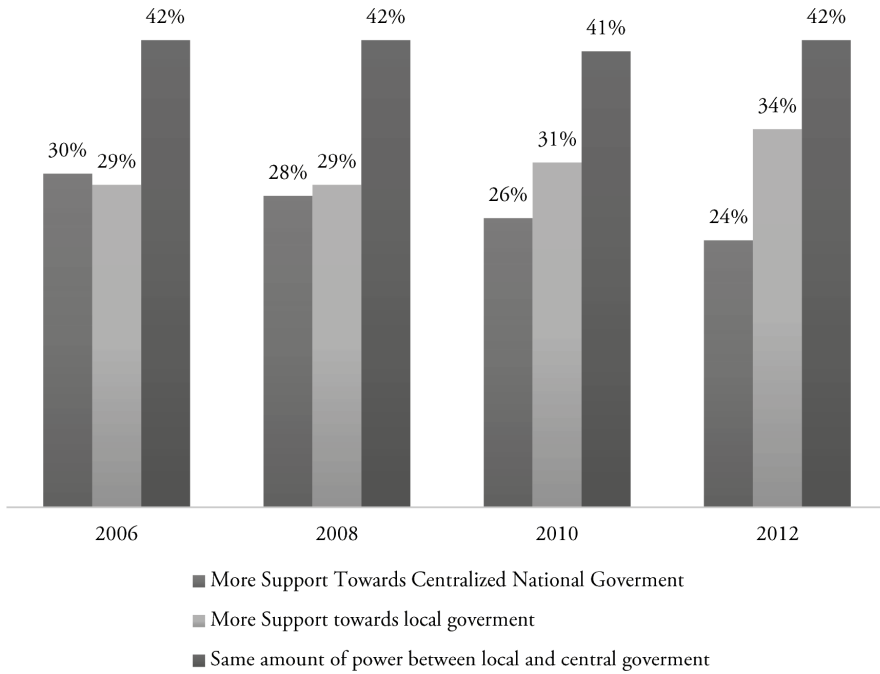
Having briefly showcased the pattern of several structural variables in the Ecuadorian context, it is also necessary to display the alternative proposed by Rothstein. Recalling the section on interpersonal trust and social dilemmas, there are two main assumptions proposed by Rothstein: the relation between horizontal (graph 10) and vertical trust (graph 11) and the effects that this intertwined relation have on the presence and permanence of corruption.

This set of data displays the importance that interpersonal trust might have in understanding corruption. As graph 9 shows, it is possible to assess that interpersonal trust among Ecuadorians has been on a steady decrease, and moreover, it seems that Ecuadorians have never developed a sense of trust in each other. On average, only 27% of Ecuadorians deem their neighbours trustworthy. In reference to this fact, it is also necessary to assert that trust in institutions has remained at a historical low, as exhibited in graph 11.

With the exception of the President—a fact which could be explained by electoral cycles—, Ecuadorians generally seem to mistrust institutions. On average, the percentage of Ecuadorians who deem institutions trustworthy is around 42%. If trust in the president is removed from this observation, then the average is around 37%.

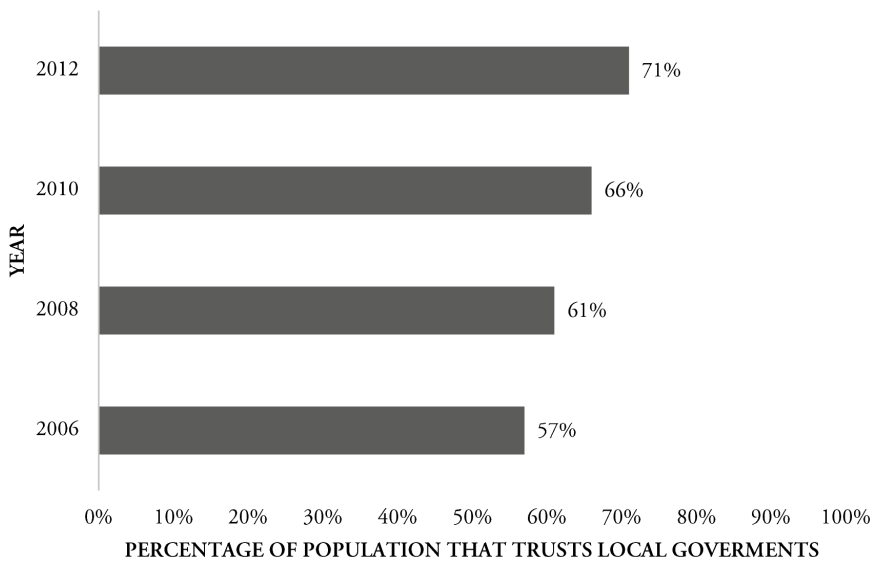
⁴ Participatory budgeting is a practice originated in Brazil to involve local citizens in the process of deciding how to spend local resources on what they needed. Empty Chair is a product of participatory budgeting that gives citizens an "empty chair" in local council meetings in order for them to expose their thoughts not only on spending, but also on the daily concerns and issues that their localities face.

Graph 8. Support of Ecuadorians for their local and national government



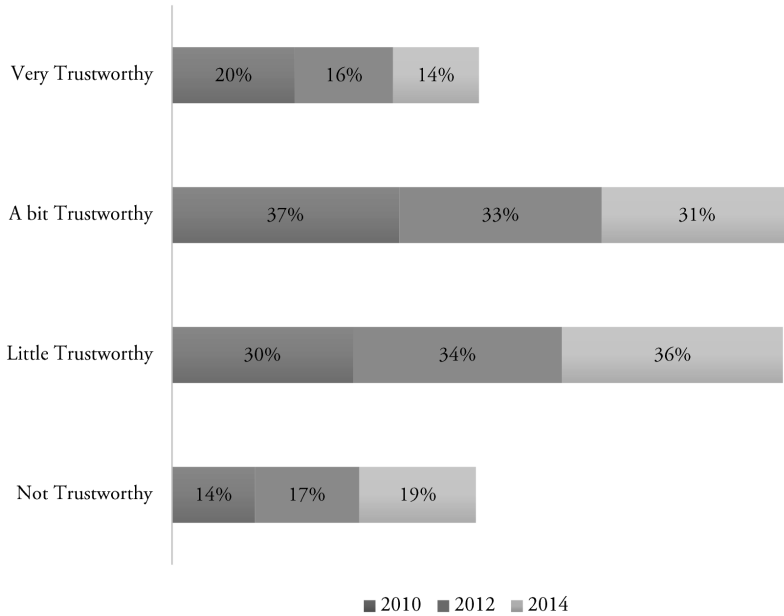
Source: LAPOP (2014).

Graph 9. Ecuadorians' trust in local governments



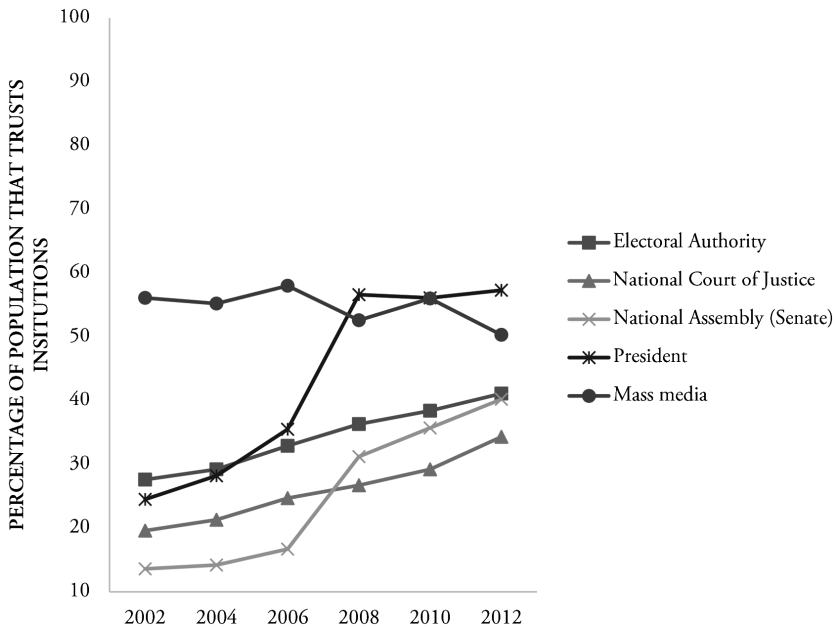
Source: LAPOP (2014).

Graph 10. Ecuadorians' interpersonal trust



Source: LAPOP (2014).

Graph 11. Trust in democratic institutions



Source: LAPOP (2014).

HYPOTHESIS

To sum up, structural variables seem to be insufficient on a superficial level to explain the presence and permanence of corruption in the country. Therefore, after taking a closer look at the principles proposed by Rothstein, there are reasons to justify the need to assess the relation between trust (both interpersonal and institutional) and corruption, and also to confront these hypotheses with “structural” explanations.

However, in order to assess Rothstein’s claims in the Ecuadorian context, it is necessary to measure if there is a relation between horizontal and vertical trust. After performing this analysis, the second hypothesis proposed by Rothstein (2013) of contrasting the relation between corruption and interpersonal trust will be tested. It should be mentioned that the second set of theoretical proposals made by Rothstein about the relation between trust and corruption has remained in the theoretical realm. For this reason, the results from the second part of the fitted regression analysis in the present research intend to either solidify Rothstein’s claims or debunk them in the Ecuadorian context.

In order to avoid any type of confirmation bias, a third scenario will also be explored. Rothstein’s claims will be contrasted by controlling the effects that trust and social dilemmas, operationalized as variables, have on corruption. To do so, a subset of “structural” variables will be added to the analysis. Additionally, other considerations will be used in the proposed models; hence, variables such as gender, age, and educational years will be controlled for in all models.

The second part of this study aims to observe how individuals tend to justify corruption and, by doing so, turn it into a self-reinforced phenomenon. To achieve this, a variable designated “justification of bribery” will also be observed in the proposed models. This variable was chosen because, albeit corruption appears to be widespread in Ecuador, citizens themselves seem to condemn its existence. As studied by authors such as Rose and Peiffer (2015), this dilemma between the perception and actual victimization of corruption is complementary to understanding the presence and persistence of corruption.

CORRUPTION AND INTERPERSONAL TRUST HYPOTHESES

Hypothesis 1: There is a positive correlation between vertical and horizontal (interpersonal and institutional) trust.

Hypothesis 2: Interpersonal trust is significantly associated with the perception of corruption.

Hypothesis 3: Interpersonal trust is significantly associated with the persistence of corruption.

Hypothesis 4: While controlling for structural variables, such as economic growth, democracy, and decentralization, interpersonal trust is still significantly associated with the perception and persistence of corruption.

METHODS

To assess if Rothstein's claims can be applied to Ecuador's context, the dataset of the 2014 LAPOP Americas Barometer round of surveys' dataset will be used and linear regression models will be fitted. Additionally, to analyse whether there is an association between interpersonal and institutional trust, a Pearson's r test of correlation will be performed.

The dataset contains a sample size of 1,512 Ecuadorians. The LAPOP surveys are based on the rounds of national census data (Americas Barometer, Technical Information, 2014), and therefore the information closely resembles the opinion of the Ecuadorian population⁵. Additionally, the data provided by LAPOP is unweighted; in consequence, the multivariate analysis reflects this factor.

OVERLOOK OF THE DATA SET

For the purposes of the present paper, there will be two dependent variables which will be analysed in different models in order to answer the aforementioned hypotheses.

The first one is the perception of corruption, measured by asking: "Taking into account your experience or what you have heard from others, corruption in the country is: (1) very widespread (2) somehow widespread (3) a little widespread (4) non-widespread (88) don't know (98) no answer". As stated by LAPOP, the answers were later coded in a way in which the results were portrayed on a scale from 0 to 100 points.

The first finding, as displayed in table 1, is that most Ecuadorians perceive corruption as present in society. Only a very small group, 3.1% of the sample, seems to think that corruption is not widespread in the country.

⁵ The LAPOP dataset is free to be accessed and used for academic purposes. Consequently, in the present paper, the wording, coding of answers, and all other aspects related to the surveys and the database are taken from the latest database and questionnaire made available by LAPOP in 2014. The translation of the information as constructed by LAPOP was made by the author of the present paper. As per the disclaimer of the information given by LAPOP on their website.

Table 1. Results from the LAPOP survey 2014, variable measured: perception of corruption

Perception of Corruption	Total Population N=1403 (valid responses)	Percentages
Corruption is widespread	360	25.7%
Somehow widespread	623	44.4%
A little widespread	376	26.8%
Non-widespread	44	3.1%

The second dependent variable used to assess the persistence of corruption is related to whether citizens consider corruption something condonable under certain circumstances. This was measured on a scale from 1 to 10 by asking: “Do you think that, under certain circumstances, it is justifiable to pay a bribe? (1) Never (2) Sometimes (3) Most of the time (4) It is the only way given the current circumstances (5) Don’t know (6) No opinion”.

This variable offers insight on Ecuadorians’ attitudes toward the payment of bribes. As shown in table 2, 27% of those questioned justify the use of bribes to an extent. A key observation is that, while most Ecuadorians perceive corruption as widespread, it seems that most of them do not justify its existence.

Table 2. Results from the LAPOP survey 2014, variable measured: justification of bribery

Justification of the payment of bribes	Total Population N=1403 (valid responses)	Percentages
Always	185	13.50%
Most of the time	95	6.50%
Sometimes	42	3.00%
Never	1081	77.00%

In addition to the dependent variables, several other independent variables were taken into account:

First, given that the main hypothesis of Rothstein’s work is constructed on the notion of an existing relation between interpersonal and institutional trust, both variables have to be assessed in this study. To measure the degree of trust that Ecuadorians place on institutions, citizens were asked: “How much trust

do you have in: (a) the justice system (b) the Army (c) the National Assembly (d) the Police (e) the Church (f) political parties (g) the president (h) the electoral authority?” The possible answers were constructed on a scale from 1 to 7, where 1 represents no trust at all and 7 a lot of trust. As was the case with the first variable, the answers were coded in a way in which the results were portrayed on a scale from 0 to 100 points.

To evaluate the second variable (interpersonal trust), the following question was used: “Would you say that your neighbours and the people of your community are (1) very trustworthy (2) somewhat trustworthy (3) a little trustworthy (4) non-trustworthy?” As was the case with the previous variables, LAPOP coded the answers on a scale from 0 to 100 points for the multivariate analysis.

Moreover, other subsets of “controlling” variables were used to complement and strengthen the robustness of the present study. The first of them is the gender of the respondent. Second, the age measured in years. Finally, the fitted models also include the years of education that the individual possesses.

The final set of variables was related to the possible alternative “structural” explanations discussed in the literature review. Therefore, to properly analyse if interpersonal trust holds enough explanatory power to clarify the causes and permanence of corruption in Ecuador, controlling variables that take these alternative explanations into account were used. These variables include: support of democracy, satisfaction with democracy, satisfaction with the economy, trust in local government, and support of the political establishment. All of the controlling variables were measured on a scale from 1 to 7, with 1 being no support/satisfaction and 7 being a lot of support/satisfaction.

RESULTS⁶

Model 1: Testing the relationship between interpersonal and institutional trust

The dataset used was obtained in June 2016 from the LAPOP website. The information pertains to the latest round of surveys performed by LAPOP in Ecuador in 2014. In the case of Sweden, by performing a Pearson’s *r* analysis, Rothstein found that there was indeed a positive correlation between both

⁶ Descriptive statistics and linear regressions of all the fitted models, as generated by SPSS, are given in the Appendix Section of the present paper.

variables, as table 3 shows. In the Ecuadorian context, the findings show similarities when performing the same type of quantitative test, as per table 4.

Table 3. Original Pearson's values found by Rothstein when correlating institutional and interpersonal trust in the case of Sweden. SOM Survey 1996

Type of Institution	Pearson's r
Police	0.18
Courts of Justice	0.18
Parliament	0.16
Government	0.15
President	0.13
Local Government	0.13
Army	0.10
Church	0.10
Banks	0.08

Table 4. Pearson values found in the case of Ecuador when correlating interpersonal and institutional trust

Type of Institution	Pearson's r
Catholic Church	0.12
President	0.12
Courts of Justice	0.11
Police	0.10
Army	0.09
National Council of Social Participation	0.09
Mass media	0.08
National Assembly	0.07
Evangelical Church	0.05
Political parties	0.01
Local Government	0.01

Source: LAPOP (2014).

In Ecuador, there is a correlation between the trust that citizens have in institutions (vertical) and the trust that they have among each other (horizontal). The correlations by themselves are weak—not close to 1, but all are statistically significant ($p < 0.05$). They are positive nonetheless, implying that the more people seem to trust those around them, the more likely they are to trust the institutions in society.

The main concern with these findings is to establish in which direction the correlation works. Using a cross-national assessment of 46 countries, Do Hwang (2015) found out that institutional and interpersonal trust are linked, but he remained sceptical on the direction of this relation.

Rose and Mishler (2005) argued that “institutional trust encourages political involvement and contributes to public support of democratic ideals”. However, they pointed out that cultural explanations focused on interpersonal trust seem to be more influential in the long run.

In the case of Ecuador, the implications of these findings are of major importance. Given the positive correlation between vertical and horizontal trust, the findings are linked to the causes and permanence of corruption in the country. Given that, on average, both interpersonal and institutional trust are low in the country⁷, this could potentially explain why the perception of corruption is widespread and has sustained itself over the years.

Another key finding from the Pearson's r analysis is the weak (0.01) relation between interpersonal trust and trust in local governments. This result would also explain why, despite the steady rise in trust in local governments, this hasn't had a major impact on the increase of interpersonal trust over time.

Model 2: Association between interpersonal trust and perception of corruption

In the second model, a linear regression is fitted, as table 3 shows. In this case, perception of corruption is treated as the dependent variable, with interpersonal trust as the independent one

The main observation from this model is that there is in fact a negative association between perception of corruption and interpersonal trust. Given that $B = -.038$ and $p < 0.05$, this value is statistically significant. It seems that for every unit increase in interpersonal trust, there is a decrease of 0.038 in perception of corruption.

⁷ On average, 45% of people don't trust those around them, and 60% do not trust institutions. In 2006, 57% of Ecuadorians claimed to trust their local governments. In 2014, 71% of them claim to do so.

Table 5. Linear regression, perception of corruption as dependent variable

Dependent Variable	Perception of Corruption
Observations	1512
Variable	Value
Interpersonal Trust**	-0.038

** $p < .05$

Controlling for the other proposed variables, such as sex, age, and years of education, interpersonal trust remains statistically significant with $p < 0.05$, as shown in table 4. Nevertheless, gender and years of education are not. Therefore, it is possible to state that, by controlling for other independent variables, the association between interpersonal trust and perception of corruption remains statistically significant in the present model.

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Table 6. Linear regression, perception of corruption as dependent variable, controlling by gender, age, and years of education

Dependent Variable	Perception of Corruption
Observations	1512
Variable	Value
Interpersonal Trust**	-0.029
Gender (male as ref)	
Male	Ref
Female	-0.018
Age**	0.010
Years of education	-0.005

** $p < .05$

At the same time, it is possible to claim there is no statistically significant association between the controlling variables “gender” and “years of education” and the perception of corruption. Moreover, it seems that for each unit increase in age, there is also a tendency to perceive corruption as more widespread ($B=0.010$ and $p<0.05$).

Model 3: Association between interpersonal trust and persistence of corruption

In the third model, a linear regression is fitted with the dependent variable being persistence of corruption. In this scenario, the independent one is interpersonal trust. As a result, it is possible to conclude that there is a negative association between the justification of corruption and interpersonal trust, as shown in table 5. Given that $p<0.05$, the B value of -0.024 is statistically significant. Therefore, it is possible to claim that for each unit increase in interpersonal trust, there is a decrease of 0.024 in perception of corruption.

Table 7. Linear regression, justification of the payment of bribes as dependent variable

Dependent Variable	Justification of the payment of bribes
Observations	1512
Variable	Value
Interpersonal Trust**	-0.024

** $p < .05$

As was the case with the perception of corruption, when fitting the linear regression while controlling for other variables as shown in table 6, the justification of corruption remains statistically significant with $p<0.05$. In this model, given the variables that are considered on the linear regression, the controlling variable “gender” also turns out to be not statistically significant at the 5% level. In this fitted model, age and years of education do have statistical significance.

As for the age variable, it seems that the older people get, the more they tend to justify the use of bribery. Also, the more educated the individual is, the less he or she tends to justify the need to pay bribes.

Table 8. Linear regression, justification of the payment of bribes as dependent variable, controlling by gender, age, and years of education

Dependent Variable	Justification of the payment of bribes
Observations	1512
Variable	Value
Interpersonal Trust**	-0.025
Gender (male as ref)	
Male	Ref
Female	-0.027
Age**	0.011
Years of education	-0.023

** p < .05

Model 4: Assessing the impact of trust and social dilemmas versus structural explanations of corruption

The final models attempt to measure the association between interpersonal trust and both perception and justification of corruption. In both cases, as shown in tables 7 and 8, there seems to be an existing association between these variables even when controlling for some of the variables that have been previously described as “structural”.

Table 9. Linear regression, perception of corruption as dependent variable, controlling by satisfaction with democracy, trust in local government, satisfaction with the economy, support of democracy, and support of government regulation

Dependent Variable	Perception of Corruption
Observations	1512
Variable	Value
Interpersonal Trust**	-0.052
Satisfaction with democracy	-0.037
Trust in local government**	0.037
Satisfaction with the economy**	-0.040
Support of democracy	0.023
Support of government regulation	-0.004

** p < .05

In this model, interpersonal trust has a negative association with perception of corruption, and even when other “structural” controlling variables have been aggregated in this model, interpersonal trust remains statistically significant ($p < 0.05$).

Beyond this point, it is interesting to analyse how the structural variables compare in relation to trust. From the proposed model, it seems that only two other variables are statistically significant at the 5% level to be accounted for: satisfaction with the economy and trust in local government. However, both variables show different patterns. On the one hand, satisfaction with the economy is negatively associated with the perception of corruption, which fits the pattern described by authors such as Wei (1999) and Aidt (2003), who conclude that economic growth and its perception by citizens highly inhibit corruption.

On the other hand, the positive relation between trust in local government and interpersonal trust offers a new insight. As observed in the Pearson's r test, it seems that even though citizens tend to trust local governments more, this factor does not affect their perception of corruption. One possible explanation could be that, as the perception of corruption increases, citizens distrust the central government and in turn put more trust and confidence in closer institutions, such as provincial and municipal governments.

When testing the second dependent variable “justification of the payment of bribes” by controlling for other structural explanations, as shown in table 8, the scenario changes. Nevertheless, interpersonal trust still retains its statistical significance at $p < 0.05$ to explain why citizens would justify the payment of bribes. The association remains negative, which means that the more people justify the payment of bribes, the less they tend to trust those surrounding them.

When controlling the dependent variable for other structural explanations, the scenario changes, but interpersonal trust still retains its statistical significance with $p < 0.05$ to explain why citizens would justify the payment of bribes. The association remains negative, which means that the more people trust each other, the less they tend to justify the payment of bribes.

The second model displays other variables that have statistical significance: support of government regulation and satisfaction with democracy and the economy. In the case of government regulation, there is a negative association with the justification of the payment of bribes. As proposed by Hopkin & Rodríguez-Pose (2007), if citizens perceive that the oversight of the government is beneficial, they tend to be less likely to engage in corrupt practices. Given Ecuador's recent shift towards stronger institutions, this pattern could be justified.

Table 10. Linear regression, justification of the payment of bribes as dependent variable, controlling by satisfaction with democracy, trust in local government, satisfaction with the economy, support of democracy, and support of government regulation

Dependent Variable	Justification of the payment of bribes
Observations	1512
Variable	Value
Interpersonal Trust**	-0.010
Satisfaction with democracy	-0.055
Trust in local government**	0.002
Satisfaction with the economy**	-0.015
Support of democracy	0.009
Support of government regulation	-0.022

** $p < .05$ * $p < .01$

Additionally, when observing how the satisfaction with democracy is associated with the justification of corruption, the results show a negative association between satisfaction with democracy and the dependent variable. As studied by Drury, Kriekhaus, and Lusztig (2006), corruption can discourage people from trusting democracy. On the other hand, solid democracies are also prone to show lower levels of corruption. In the Ecuadorian case, the more Ecuadorians seem to trust democracy, the less prone they are to justify bribery.

Finally, recalling Seligson (2002), Ecuador also displays a significant association between satisfaction with the economy and citizens' attitudes towards corruption. The more citizens are satisfied with the current economic environment, the less they tend to justify bribery or the presence of corruption. This could potentially explain why, in the recent years of economic development in the country, the majority of citizens rejected bribery and the presence of corruption as something good or necessary.

RECAP OF MODELS

In all the models, there is a statistically significant (negative) association between interpersonal trust and both the perception and permanence of corruption (justification of bribery). Even when the coefficients are modest, it is possible to confirm that in Ecuador there is evidence that points to a potential trust-related explanation for the presence and persistence of corruption.

CONCLUSIONS

There has been an extensive focus in academia on exploring and analysing potential structural causes of the presence and permanence of corruption, especially in developing countries. This is due to the challenges that most of them face—i.e., weak institutions, non-consolidated democracies, lack of economic growth, centralized political models, etc.

Consequently, this paper has produced some insight on potential alternatives to this approach. The present study has filled a gap between previous works and the theoretical assumptions carried out by Rothstein (2000; 2013) through empirical data by using Ecuador as a case study. Therefore, the evidence found through this study reaffirms and strengthens the proposals made by Rothstein.

In Ecuador, there is a positive relation between institutional and interpersonal trust. Hence, given that citizens do not trust each other, they also have little to no trust in institutions, resorting to corruption and justifying it as a result. This phenomenon could account for the failure of policies that have attempted to eradicate corruption. The main concern in Ecuador has been to implement higher penalties and, overall, to generate an environment of lower tolerance towards corruption. This approach, however, misses out the fact that it is imperative to generate trust, both among citizens (horizontally) and between them and institutions (vertically) to challenge corruption.

The evidence generated by the regression models suggests that there is a negative association between trust and corruption. This affects the way citizens perceive corruption, as well as its permanence through time. Nevertheless, the explanatory power of the interpersonal trust variable in the fitted regression models is not high, ranging from -0.010 to -0.052 even when the variable is statistically significant at the 5% level. However, this is not discouraging. Given that empirical evidence on the association between trust and corruption is still scarce, the present paper is a step forward towards assessing the link among both.

The Pearson's r test sheds some insight on how interpersonal and institutional trust are related. As mentioned earlier, the relationship between both is present, but the main challenge lies in determining its directionality (Rothstein, 2000). In Ecuador, there is a stronger relation between interpersonal trust and trust in law enforcement institutions (police, courts of justice). Nevertheless, the strongest association between both types of trust is found between the president and the Church. As a result, the causal mechanisms behind this are

related to the fact that Ecuadorians have little trust among each other. Hence, they tend to place their trust in “higher powers”, whether the president or the church.

This archetypal thought represents one of the major features of Latin American politics, and Ecuador is no exception in that sense (Donoso et al., 2015). There seems to be an underlying process in the region that involves individuals opting to put their trust in strong but very volatile institutions. This role was traditionally occupied by the Catholic Church, but this gap has now been replaced by strong, charismatic leaders.

The Pearson's r test brought forward the relation between institutional and interpersonal trust, which in Ecuador is almost inexistent in the case of local governments (Pearson's $R= 0.01$). This is of special interest because the only institutions that have prominently gained trust among citizens in Ecuador are local governments (Donoso et al., 2015). However, this newfound trust in local institutions has had no major impact on the levels of interpersonal trust or shifted Ecuadorians' notions about corruption.

Additionally, it is clear that further research is needed on the correlation between trust and corruption. As established by Rothstein (2000), in order to understand the ways in which trust is formulated, it is necessary to move beyond the functionalistic approach. In the case of Ecuador, it is possible to hypothesize that the historically low levels of both vertical and horizontal trust are not just the result of Ecuadorians assimilating to the environment surrounding them, but that this pattern began and was further sustained to retain and protect the existing scheme.

Therefore, in order to shift this reality and tackle the issue of corruption, the collective memory that has been generated and maintained needs to be addressed. As Baker (1985) claimed, when it seems that a system of values is embedded in the collective memory of citizens, the strategy to change it needs to be constructed as part of a strategic political action. In consequence, the simplistic logic of punishment needs to be complemented by a wider perspective focused upon changing narratives to generate trust.

These mechanisms, which produced such lack of trust in Ecuadorian society, are fundamental in order to assess the permanence of corruption. There is a pressing relation between interpersonal trust and the justification of corruption. This factor is a plausible alternative explanation for the sustained presence of corruption in Ecuador. The degree of ambivalence towards corruption has reached its peak, showing that there is a notion of conformity among Ecuadorians with the way things work. The popular expression *viveza criolla* best

embodies this finding. In simple terms, this key expression denotes that Ecuadorians are willing to engage in corrupt activities because they see it as the only way to make things work or to get some benefit out of the system. Given Ecuadorians' low trust, there is no motivation for them to expect others to follow the rules, and therefore, there is no reason for them to do so.

This reality exemplifies the self-reinforcing nature of the relation between trust and corruption. The less citizens trust each other, the less they will expect others to play by the social rules, and as a result, they will have no incentive to do the same. Corruption then becomes the only possible option to fill this gap. As per Rothstein's analysis, this intertwined relationship can be summarized in the following statement: "it makes no sense to be the only non-corrupt citizen in a thoroughly corrupt society" (Rothstein, 2013). Corruption becomes the *statu quo*, which in turn influences citizens to be overall pessimistic about their social environment.

Additionally, one of the main limitations of the present study is precisely that the information available to assess corruption is scarce. The database generated by LAPOP is comprehensive, but the studies carried out by Americas Barometer are not designed exclusively to observe and analyse corruption. This is because their dataset and reports are diverse, and their methodology is therefore constructed to measure a wide range of topics. In that sense, the findings of the present paper point out the need to carry out further research on how the correlation and association between corruption and interpersonal trust works. Therefore, it would be necessary to look in depth through qualitative methods, which would more comprehensively unfold the thoughts that Ecuadorians possess about corruption.

Further research should be carried out in order to decipher the underlying narrative and construction of mistrust that is present in the country. If, at one point in history, the collective memory of Ecuadorians was developed based on mistrust, understanding how and when is a prerequisite to introduce change in this feature. In that sense, qualitative methods, such as structured interviews and content analysis, could be potent tools in order to comprehend the different visions and ideas that are pushing Ecuadorians towards mistrust in each other or the system and, in turn, leading them to engage in corrupt practices.

By pursuing this research agenda, these methods could further guide governmental and non-governmental institutions to shift their attention more broadly and pursue appropriate public policy reforms to transform this persisting reality. In that sense, there are several proposals for dealing with corruption constructed by various academics.

Recent ones include the guidelines formulated by Rose and Peiffer (2015), who offer six principles in “Paying Bribes for Public Services: A Global Guide to Grassroots Corruption” to deal with the persistence of corruption: reducing contact between officials and users, formulating criteria for more objective decisions, fostering transparency, matching the supply of public services to the demands of citizens, expanding choice between public and private services, and promoting the ethics of service among officials. This agenda could be used to handle the day-to-day aspects of corruption; nevertheless, given the outcome of the present paper, a complementary approach should also be used.

In that sense, to echo Rothstein and Holmberg (2012), what seems to be required is the construction of new institutions and narratives that can change the self-reinforcing nature of mistrust and corruption. Still, this is a positivist approach, as acknowledged by both authors. There seems to be no valid reason to think that societies can generate “the type of non-corrupt, impartial, and fair institutions that they as a society would prosper from” (Holmberg and Rothstein, 2012). Therefore, it is imperative to find ways around this cultural and institutional flaw which not only sustains corruption but also inhibits development in the long run and, more importantly, affects Ecuadorians on a day-to-day basis.

Finally, recalling Rose and Mishler (2005) work on the political consequences of trust, it is clear that interpersonal trust, especially when associated with trust in institutions—as is the case with Ecuador—not only affects the perception of corruption. This lack of trust has the power of affecting the functioning of society on many different levels, including social, economic, and political relations. For societies like the Ecuadorian one, there is a necessity to go beyond deterministic arguments about how culture is inherently fixed. Therefore, the debate needs to focus on how institutional, cultural, and political mechanisms can help a society produce better outcomes and generate trust.

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