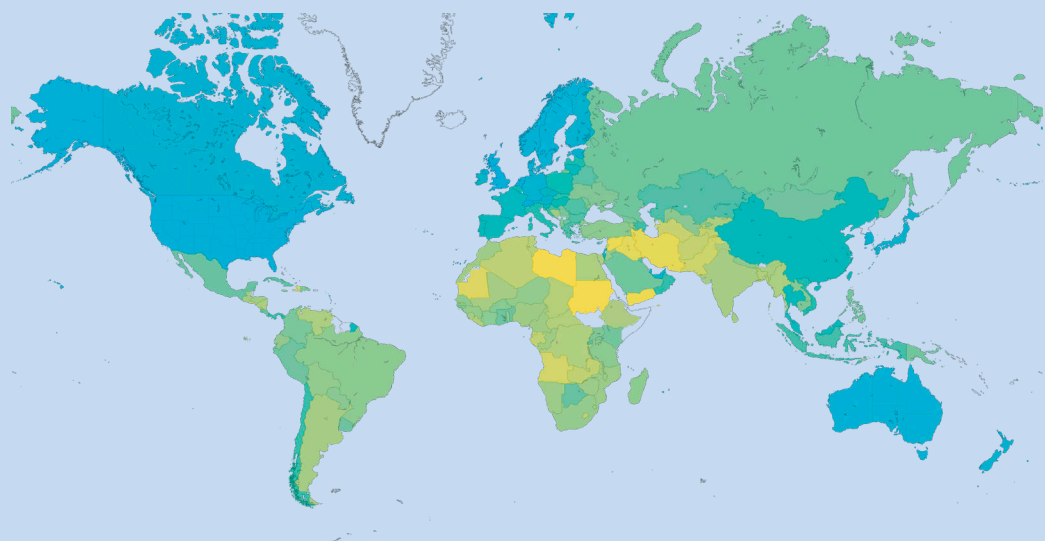


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# ELITE QUALITY REPORT 2021

Political corruption: A representation of value extraction besides issues of measurement?

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## Political corruption: A representation of value extraction besides issues of measurement?

*Political corruption* (COR, i.1) is one of the most serious and direct instances of Value Extraction in a domestic political economy. Corruption usually refers to the “misuse of public office for private gain” that inevitably leads to weaker economic development. It is not just that corrupt activities result in the transfer or the reallocation of resources to less productive activities, but also that they reduce trust in institutionalized systems in general. Arbitrary decision-making based on bribes or illicit payments in political processes such as procurement reduce the competitive allocation of resources and reinforce the position of incumbent elites.

*Political corruption* is a widespread phenomenon that exists in every political economy. However, there are striking differences in the levels of corruption evident in countries around the world. While countries like Denmark (COR, i.1, rank # 1) or Singapore (COR, i.1, rank # 3) perform well in this regard, they also rank highly in the overall EQx2021 (rank # 10 and rank # 1, respectively). On the contrary, middle-quality or lagging elite countries such as the Democratic Republic of Congo (EQx, rank # 124) or Venezuela (EQx, rank # 125) also perform poorly in terms of perceived *Political corruption* (COR, i.1, rank # 138 and rank # 135, respectively).

Even though the degree of institutionalized *Political corruption* might be more prevalent in less developed countries, it certainly also persists in higher Elite Quality countries. Questionable instances of the usage of public office for private gain occur quite frequently at the regional or municipal political levels in developed countries (e.g. in Germany), though this may not be perceived as such by their citizenry. Recent instances of alleged political corruption in high quality elite countries include the case of the former UK Prime Minister, David Cameron, and his intense lobbying efforts on behalf of Greensill Capital (COR, i.1, rank # 20), accusations against German parliamentarians for influencing and profiting from the public procurement of protective masks at the height of the COVID-19 crisis (COR, i.1, rank # 9) or the corruption probe investigating false testimonies by the current Austrian Chancellor, Sebastian Kurz (COR, i.1, rank # 16).

The Elite Quality Index uses the Varieties of Democracy (V-Dem) dataset to measure perceptions of political corruption (v2x\_corr). The v2x\_corr is an aggregated indicator based on several local expert-based survey questions in relation to public sector corruption, executive corruption, legislative corruption, and judicial corruption. As such, it belongs to the group of subjective indexes.

The correlation coefficient for a country’s political corruption using the expert-based v2x\_corr and the respective overall score in the EQx is .726, as displayed in Visual 4.3 (Note that a high COR score indicates a low level of perceived corruption in the underlying v2x\_corr indicator). Using an alternative perception-based indicator: Transparency International’s ‘Corruption Perceptions Index 2020’ leads to a correlation coefficient of .854. Both results indicate a strong link between subjective-based political corruption and Elite Quality. However, it is interesting to see the S-shaped allocation of countries around the regression line. Some countries seem able to compensate for high degrees of political corruption in the EQx (with a low COR score), while other countries that have low levels of political corruption underperform in comparison to their peers.

However, perceptions of corruption and actual instances of it may be further apart in reality. While correlations between subjective-based and experience-based measures of corruption are relatively high in general, they may still differ in specific circumstances.

Olken (2009) examined this variation in the case of Indonesia, which the EQx ranked # 102 in terms of *Political corruption* (COR, i.1) and # 44 overall, and observed that local villager’s perceptions had been underestimating the actual degree of corruption during a local road-building project. In some countries, however, where corruption is perceived as a persistent problem on aggregate, the opposite may also be true.

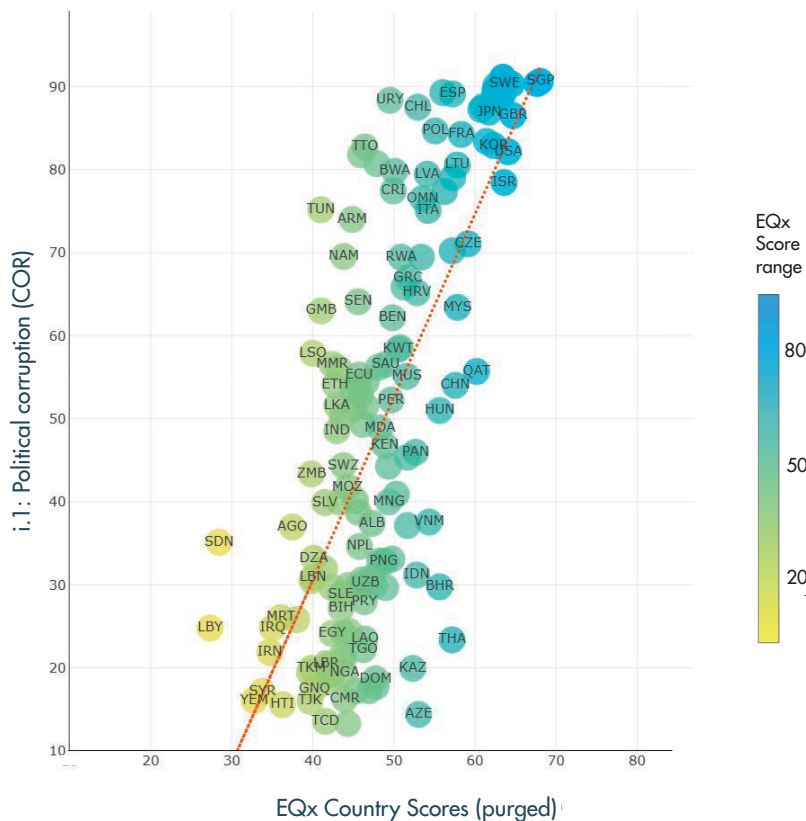
As a result, it is all the more important to distinguish between perception-based and experience-based indicators that measure actual (ex-post) corruption rather than prevalent subjective opinions (ex-ante). However, even unreal perceptions by societal actors can hamper or promote trust in the same way as actual corrupt practices and thus influence development paths and growth trajectories.

The EQx's application of expert-based opinions on corruption is neither positively striking nor misguided. The awareness of the difference is, however, important in assessing causal relationships on the basis of the EQx's underlying Value Creation perspective in future research endeavors, for policymaking purposes, as well as for the self-reflection of elites.

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**Visual 4.3:** EQx Scores correlation with *Political corruption (COR, i.1)*

Note: Orange dashed line indicates a fitted regression line. Adjusted R-squared: 0.519. Random selection of country codes are printed in case of country overlaps.





Sub-Index (L2)	Power
Index Area (L2)	Political Power
Pillar (L3)	State Capture
Indicator Code (L4)	i.1_COR
Indicator weight (in EQx)	0.3%
Indicator weight (in Pillar)	7.1%
Countries covered	151
Year of inclusion in EQx	2021
Conceptual optimum	-1
Year Used	2019
Data Source	Varieties of Democracies (V-DEM), Political corruption

**Description**

This Indicator is based on the political corruption subset of the Varieties of Democracies Database. The measure "includes measures of six distinct types of corruption that cover both different areas and levels of the polity realm, distinguishing between executive, legislative and judicial corruption. (...) The measures thus tap into several distinguished types of corruption: both 'petty' and 'grand'; both bribery and theft; both corruption aimed and influencing law making and that affecting implementation" (VDEM, Website).

**Rationale**

Political corruption is a direct measure of Value Extraction facilitated by State Capture anchored in Political Power. It is one of the most blatant and direct forms of rent seeking, as corruption is theft. Political corruption pre-empts Value Creation business models from emerging.

Rank /151	Country	Score	Rank /151	Country	Score	Rank /151	Country	Score
1	Denmark	91	51	Benin	62	101	Central African Republic	32
2	Norway	91	52	Cuba	59	102	Indonesia	31
3	Singapore	91	53	Kuwait	58	103	Ukraine	31
4	Switzerland	90	54	Lesotho	58	104	Lebanon	31
4	Sweden	90	55	Myanmar	57	105	Turkey	31
6	Netherlands	90	55	Saudi Arabia	57	106	Afghanistan	31
7	New Zealand	90	57	Colombia	56	107	Uzbekistan	30
8	Finland	90	58	Argentina	56	108	Malawi	30
9	Germany	89	59	Qatar	56	109	Uganda	30
10	Belgium	89	60	Ecuador	55	110	Bahrain	30
11	Spain	89	61	Mauritius	55	110	Madagascar	30
12	Australia	89	62	Burkina Faso	54	112	Kyrgyz Republic	30
13	Canada	89	63	Ethiopia	54	112	Russian Federation	30
13	Estonia	89	63	Timor-Leste	54	114	Sierra Leone	29
15	Uruguay	88	65	China	54	115	Paraguay	28
16	Austria	88	66	South Africa	53	116	Bosnia and Herzegovina	27
17	Chile	88	67	Tanzania	53	117	Mauritania	26
18	Ireland	87	68	Peru	52	118	Pakistan	26
19	Japan	87	69	Sri Lanka	52	119	Iraq	25
20	United Kingdom	87	70	Cote d'Ivoire	51	119	Libya	25
21	Poland	85	71	Jordan	51	121	Zimbabwe	24
22	France	84	72	Hungary	51	122	Egypt, Arab Rep.	24
23	United Arab Emirates	83	73	Morocco	50	122	Guatemala	24
24	Korea, Rep.	83	74	Brazil	49	124	Lao PDR	23
25	Trinidad and Tobago	83	75	Moldova	49	125	Thailand	23
26	United States	82	76	India	49	126	Togo	22
27	Jamaica	82	77	Kenya	47	127	Iran, Islamic Rep.	22
28	Georgia	81	78	Panama	46	128	Congo, Rep.	22
29	Lithuania	81	79	Romania	45	129	Honduras	21
30	Botswana	80	80	Eswatini	44	130	Liberia	21
31	Latvia	79	81	Ghana	44	131	Bangladesh	20
32	Portugal	79	82	Zambia	43	132	Kazakhstan	20
33	Israel	78	83	Mozambique	42	132	Turkmenistan	20
34	Costa Rica	77	84	Mexico	41	134	Gabon	19
35	Cyprus	77	85	Bolivia	40	135	Nigeria	19
36	Oman	77	86	Mali	40	135	Venezuela, RB	19
37	Tunisia	75	86	Mongolia	40	137	Nicaragua	19
38	Italy	75	88	El Salvador	40	138	Dominican Republic	19
39	Armenia	74	89	Niger	39	139	Congo, Dem. Rep.	18
40	Czech Republic	71	90	Vietnam	38	140	Cambodia	18
41	Slovenia	70	91	Albania	37	141	Equatorial Guinea	18
42	Namibia	70	92	Bulgaria	37	142	Guinea	17
43	Rwanda	69	93	Angola	37	142	Guinea-Bissau	17
43	Slovak Republic	69	94	Sudan	35	144	Syrian Arab Republic	17
45	Greece	67	95	Nepal	35	145	Cameroon	16
46	Belarus	66	96	Algeria	33	146	Yemen, Rep.	16
47	Croatia	65	97	North Macedonia	33	147	Tajikistan	16
48	Senegal	64	98	Papua New Guinea	33	148	Haiti	16
49	Malaysia	63	98	Serbia	33	149	Azerbaijan	14
50	Gambia, The	63	100	Philippines	33	150	Chad	14
						151	Burundi	13

The Elite Quality Report 2021 (EQx2021) provides Country Scores & Global Rank for 151 countries  
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