Are corruption levels accurately identified? The case of U.S. states

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Abstract

This paper applies a novel methodology to measure corruption levels in U.S. states, leading to insights which could be useful to policymakers in their effort to reduce unethical behavior. The level of public corruption is difficult to quantify because much of it goes undetected and because different cultures and jurisdictions have different definitions and different degrees of tolerance for corruption. When comparing corruption across countries, in the absence of another solution, this difficulty has been addressed by using survey-based methods. Within countries, because of the greater homogeneity in culture, institutions, and legal frameworks, other measures have been used, such as public official convictions per capita. This paper suggests that even these more objective measures of corruption may lead to distortions, describes an alternative methodology based on the analysis of public official non-compliance as compared to general population non-compliance, and illustrates its use. The method is based on modeling an institution as a system (and corruption as a failure in that system) and using time-tested statistical quality control techniques to examine its incidence. When applied to states of the U.S. Union, the methodology flags some states as more corrupt than estimated through other methods and, conversely, identifies other states as less corrupt than anticipated. The paper thus offers a tool and suggestions to support policy-makers in their efforts to evaluate the prevalence of unethical practices and to reduce corruption levels.
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1. Introduction

Are levels of corruption accurately evaluated? Corruption, broadly defined herein as the unlawful or unethical acquisition of advantages due to a position of power, and, more specifically as it applies to public institutions, as the use of public office for private gains as per Jain (2001), is widespread, with no dearth of examples to illustrate its wide prevalence. However, the degree of public corruption has been notoriously difficult to quantify for two main reasons. First, much of it goes undetected and therefore is not measurable. Second, different cultures, jurisdictions, and environments have different degrees of tolerance for and definitions of corruption. At the international level this difficulty has been addressed by using survey-based methods to estimate the aggregate incidence of unethical behavior, such as the Transparency International Corruption Perception Index and the World Economic Forum's Corruption Index. Within countries, because of the greater homogeneity in culture, institutions, and legal frameworks, other measures have been used, such as public official convictions per capita or the percentage of public officials found to have been engaged in wrong-doing. However, as exemplified by the description below, these oft-used metrics lack the ability to tell the full story. Another useful tool for policymakers seeking to understand and lower corruption levels is to model institutions as systems and corruption as a failure in each such system, using statistical quality control techniques to examine its incidence. This paper evaluates corruption levels in U.S. states, examines differences in results from the currently most used method, and draws implications for policy-makers as they institute mechanisms to reduce public official wrongdoing.

Despite intense efforts to the contrary, there have been many instances of reported corrupt behavior in the U.S. Two relatively recent high profile examples were the arrest in July, 2009, of more than 40 people, including state assemblymen and other public officials, in a New Jersey corruption probe; and the 2011 conviction of the former Governor of Illinois, who had been accused of corruption related to the nomination to President Obama's senate seat. An objective method to evaluate corruption levels across jurisdictions that uses a systemic approach and depends on local accountability institutions can be very useful to policy-makers in their efforts to reduce corruption. In this paper, for each of the states of the union, the hypothesis tested is whether the sample of public officials appropriately represents the population, i.e., whether levels of non-compliance by public officials are commensurate with observed levels of non-compliance in the population. We find that this is not always the case, i.e., in the first decade of this century corruption is found to have been at an unacceptable level in several states. Moreover, results in some cases overstate and in other cases understate findings obtained with more traditional measurements such as corruption per capita, therefore providing important input to policymakers in their efforts to assess the incidence of corruption in their jurisdictions and to institute mechanisms to reduce it.

The domestic application of this methodology to compare corruption levels across states of the union is offered for two reasons. First, although throughout the U.S. corrupt and unethical practices are outlawed, some states are perceived as more corrupt than others, and it would be helpful for policymakers and voters to understand where a given state lies along the spectrum of corrupt practices using a different measure from the traditional one of public official convictions per capita. Application of the methodology across states of the union therefore provides useful information to local policymakers when they examine a given state's institutional structure. Second, this methodology can serve as a model for its use to compare corruption levels across jurisdictions in other situations, perhaps even across different countries. Tolerances towards corruption as well as