

**On Governance and Capture in  
Economic Development:  
*Some reflections, some evidence***

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Long-Run Economic Growth’,  
in honor of the Contributions of Kenneth Sokoloff,  
University of California at Los Angeles,  
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# Approach

- **The younger generation:  $y + z = i$**
- **East Coast perspective: Ken's contribution to our understanding of the field of development today**
- **Fundamentals: Initial Endowment or Institutions?**
- **Why Growth & Higher Incomes do not result in a larger impact on Governance?: enter State Capture, and advantage of micro-analysis...**
- **Research findings of past, and the new:  
Capture/Influence impact on investment projects**
- **Some Implications**

# From Engerman & Sokoloff, to...

## Acemoglu & Robinson, to Robinson & Sokoloff

- Well known: Ken as a leading economic historian
- Less well known: contribution to development...
- Part of seamless way Ken forged and crossed bridges. *Lets see:*
- Engerman & Sokoloff (ES): unequal initial factor endowment in the Americas led to great advantage to the elite, through political and economic influence, at the expense of the rest of the population. (*Capture/influence, but endogenous?*)
- Acemoglu & Robinson (AR): Institutions, and within it, politics, more fundamental and less endogenous. *Thus, ES vs. AR?*
- Enter Robinson & Sokoloff (RS) @ the World Bank: "Historical Roots of Inequality in Latin America" for WB LatAm Report.
- They drew on their previous research, put their differences aside, and applied analysis concretely to today's LatAm strategies: synthesis, breaking new ground for the World Bank, using data from 1570 (not 1990...). *It had influence.*

# **On causal determinants of development: A contribution to the empirics of Governance & Development**

- **Well known: strong positive correlation between per capita incomes and the quality of governance across countries**
- **Income growth results in improved governance, or vv.?**
- **Kaufmann & Kraay(2002) “Growth Without Governance”**
- **Utilizing the WGI dataset, and through I.V. (governance to growth), and out of sample technique (growth to governance), separated this correlation into: (1) a strong positive causal effect running from better governance to higher per capita incomes, and, perhaps surprisingly at first, (2) a weak and even negative causal effect running in the opposite direction from per capita incomes to governance.**
- **Hypothesis for explaining absence of positive feedback from per capita incomes to governance: state capture, where the fruits of growth accruing to elite which benefits from low standards of public governance.**



# **‘Seize the State, Seize the Day’**

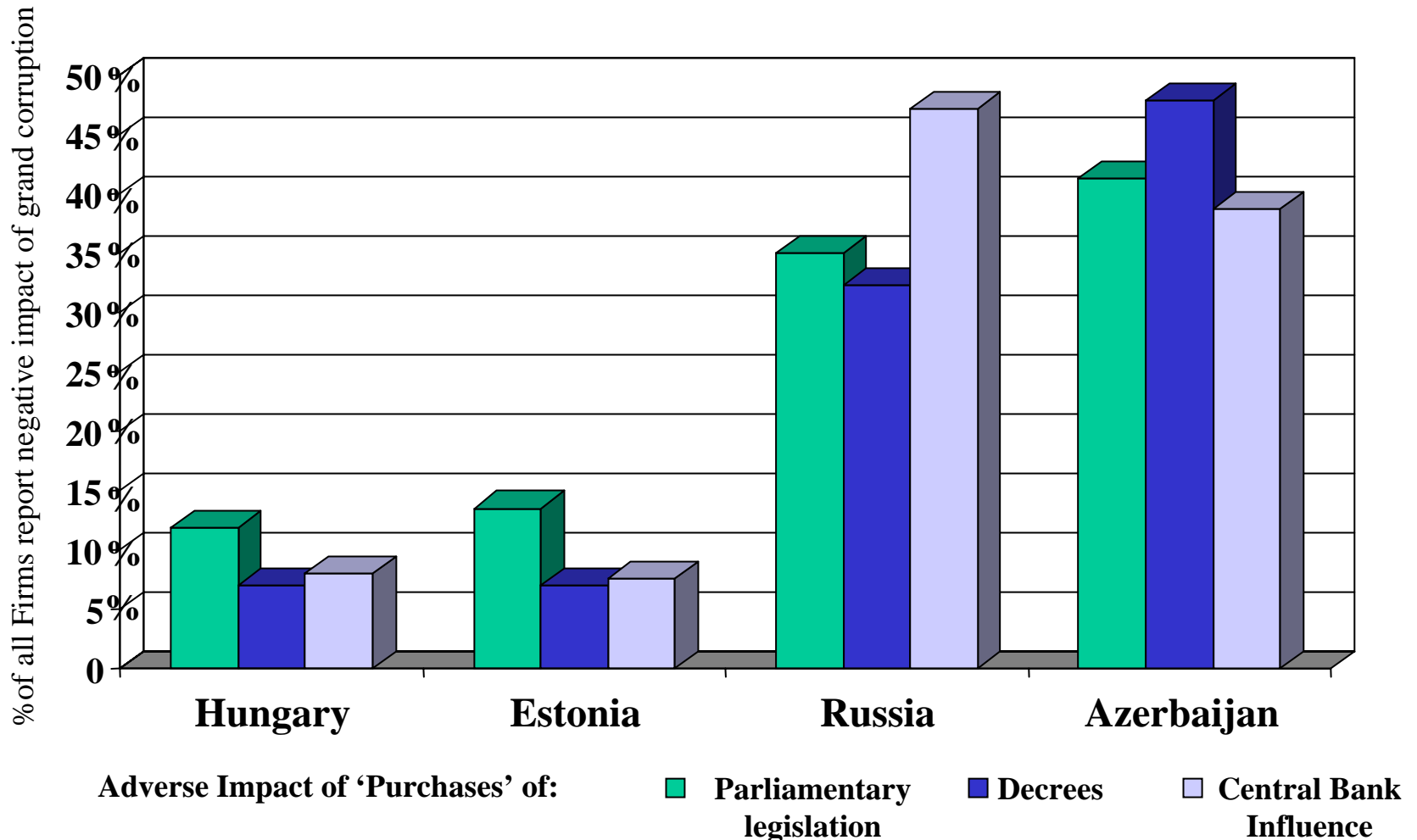
## ***Hellman, Jones and Kaufmann 2000***

**State Capture: *firms shaping and affecting formulation of the rules of the game through private payments to public officials and politicians***

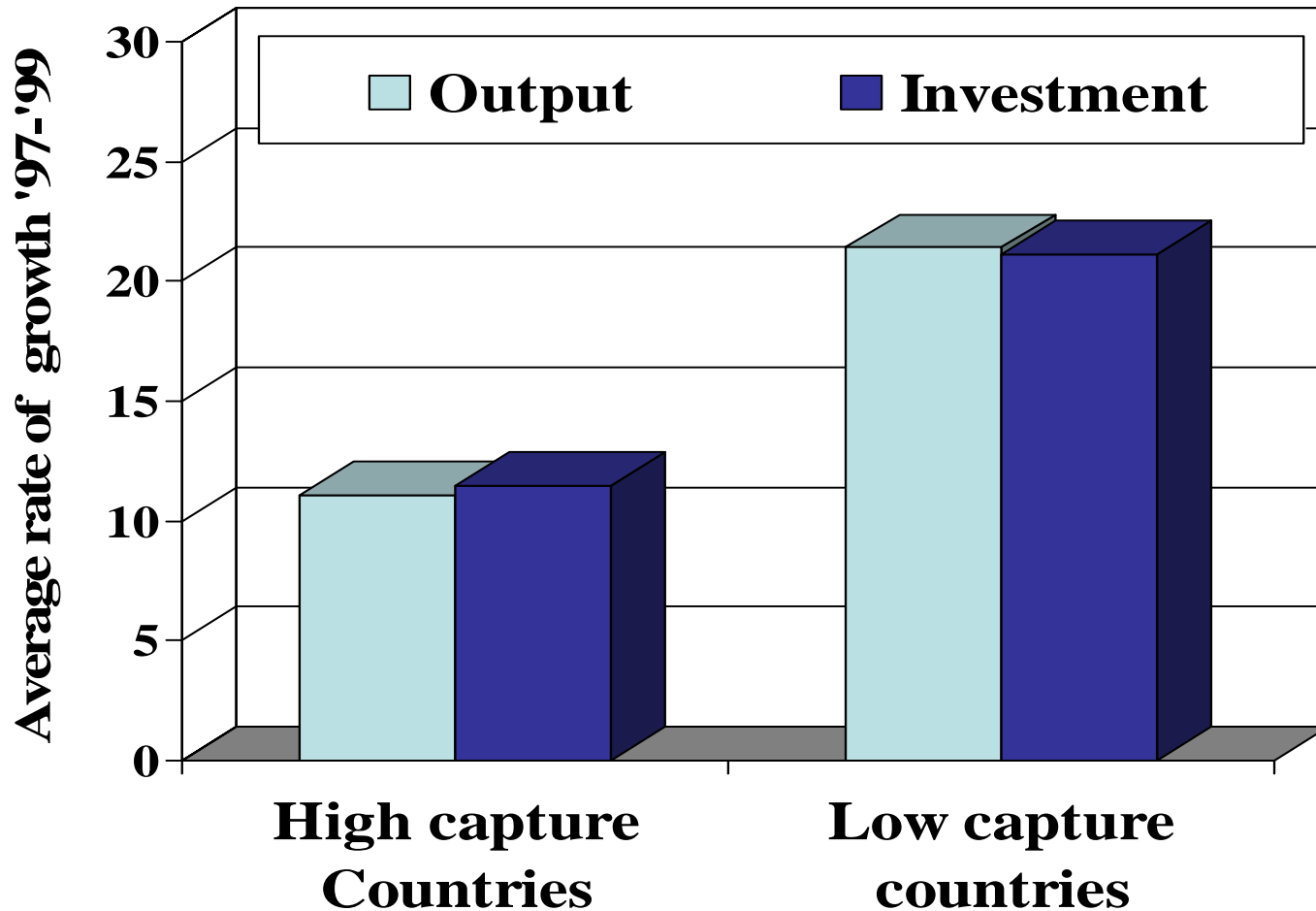
**Empirical Research with survey of firms (BEEPS) in transition economies, *where we found that:***

- Large share of firms reported significant impact on them by capture in many countries in the FSU (e.g. Azerbaijan, Moldova, Russia, and Ukraine).**
- Captor firms exhibited much higher output and investment growth than non-captors (w/ controls)**
- In contrast, coerced firms into paying bribes for administrative corruption did not derive benefits**
- Captor firms benefited in terms output and investment, while the national rule of law and protection of property rights was weakened**

# 'Seize the State, Seize the Day' (*Hellman, Kaufmann, Jones 2000*): Differences in Transition Countries on the Extent of State Capture



***‘Seize the State, Seize the Day’ (Hellman, Kaufmann, Jones 2000): Costs of State Capture in Transition – Private Sector grows and invests less (& more insecure property rights)***



# **‘Capture’ literature beyond ‘Seize the State’**

- **Slinko, I., E. Yakovlev, and E. Zhuravskaya (2004)**  
***“Laws for Sale: Evidence from Russia”*, in American Law and Economics Review 7, pp. 284-318**
- **Empirical exploration on link between capture and growth in Russia,**
- **Construct measures of the political power of firms and regional capture with micro-data on preferential treatment of firms through regional laws and regulations in Russia during 1992-2000.**
- **Findings: little evidence that overall capture affects overall growth, but instead sizeable distributional impact: *politically powerful and well connected firms perform better and benefit from capture, while regulatory capture hurts the performance of politically unconnected firms.***

# **Inequality of Influence, ‘Crony Bias’**

- **In Hellman et al (2002), “*The Inequality of Influence*”, we developed proxy measure of the inequality of influence (‘crony bias’ in political system) from survey evidence from 2002 Business Environment and Enterprise Performance Survey (BEEPS) conducted among 6,500 firms in 27 transition countries.**
- **We found that inequality of influence has a strongly negative impact on the firm’s assessments of public institutions, which in turn affects the behavior of firms towards those institutions.**
- **Crony bias: associated w/ negative assessment of fairness and impartiality of courts, enforceability of court decisions, and firms reporting prevalence of crony bias are use courts less to resolve business disputes.**
- **Firms affected by crony bias have less secure property rights than influential firms. Crony bias is also associated with lower levels of tax compliance and significantly higher levels of bribery.**
- **Inequality of influence not only damages the credibility of institutions among weak firms, but affects the likelihood that they will use and provide tax resources to support such institutions. By withholding tax revenues, paying bribes, and avoiding courts, these firms perpetuate the weakness of such state institutions, making the subject to capture by the more influential.**
- **The inequality of influence thus appears to generate a self-reinforcing dynamic in which institutions are subverted further strengthening the underlying political and economic inequalities**

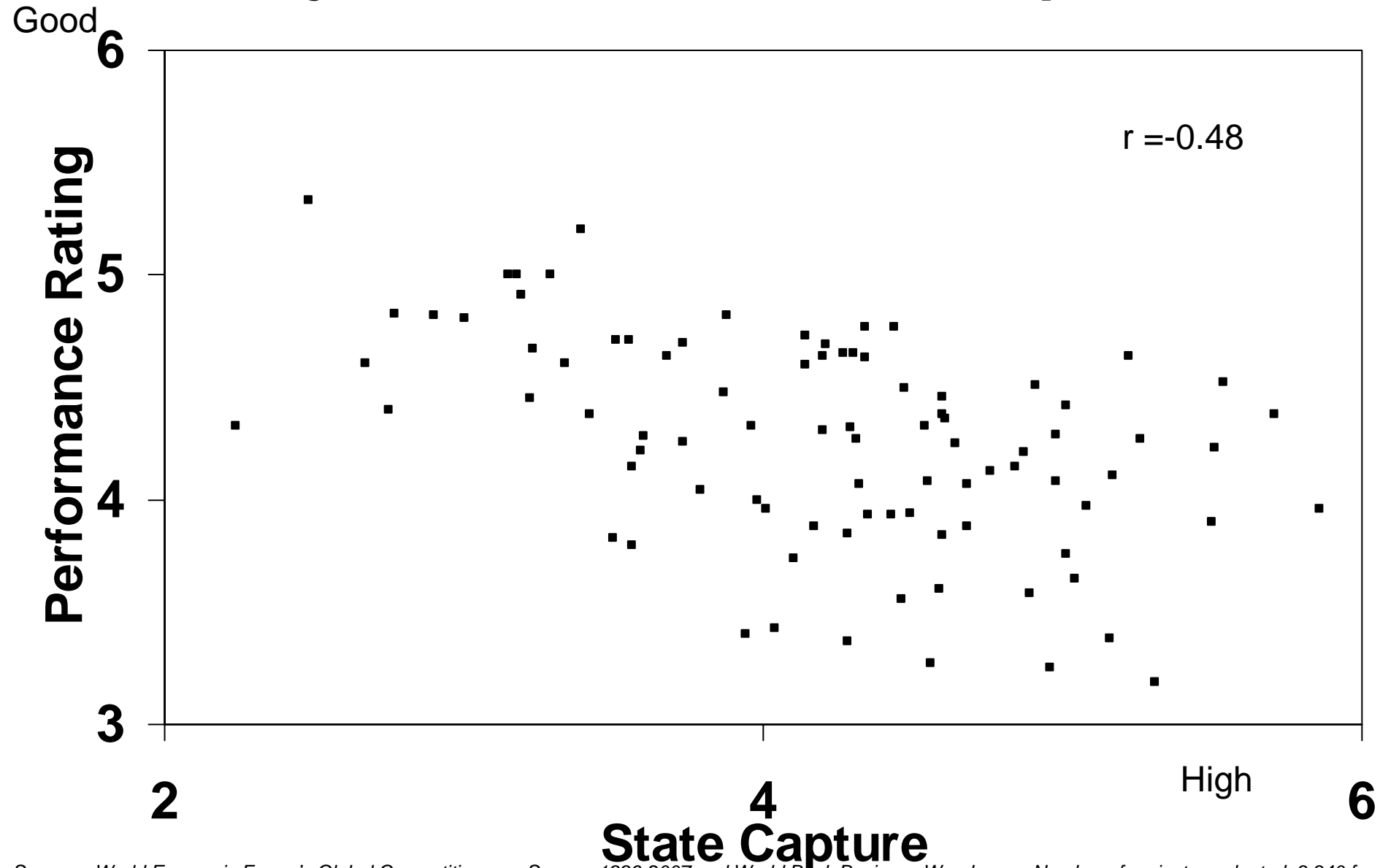
# Does Capture & Undue Influence matter for success of investment projects in emerging economies? *(new)*

- Utilizing recent data on evaluation of completed projects funded by the World Bank, implemented by countries (IEG project performance data): 3,340 projects during 1995-2007, in 92 countries. Variables: *Project Performance; Institutional development Impact*
- For capture and undue influence, data from the annual EOS firm survey by the World Economic Forum. Main Variables:  
*State Capture*: Do illegal payments to influence government policies, laws or regulations impose costs or otherwise negatively affect your company?  
*Regulatory / Policy Capture*: In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with import and export permits?  
*Judiciary Capture*: In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with obtaining favorable judicial decisions?  
*Undue Political Influence*: How much influence do you think individuals or firms with close personal ties to political leaders actually had on recently enacted national laws and regulation that have a substantial impact on your business?
- Basic statistics, and firm-level OLS with of controls

# Summary Statistics: 3,340 projects during 1995-2007

<b>Variable</b>	<b>Range</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Source</b>
<b>Project Performance Rating</b>	1 – 6 (best)	4.23	1.18	World Bank IEG
<b>Satisfactory Project</b>	0 – 1 (best)	0.78	0.41	World Bank IEG
<b>Institutional Development Impact</b>	1 – 4 (best)	2.43	0.72	World Bank IEG
<b>State Capture</b>	1 – 7 (best)	3.72	0.74	World Economic Forum Survey
<b>Regulatory / Policy Capture</b>	1 – 7 (best)	3.74	0.70	World Economic Forum Survey
<b>Bribery for Permits</b>	1 – 7 (best)	3.97	0.87	World Economic Forum Survey
<b>Corruption in Procurement</b>	1 – 7 (best)	3.41	0.78	World Economic Forum Survey
<b>Judiciary Capture</b>	1 – 7 (best)	3.77	0.91	World Economic Forum Survey
<b>Undue Political Influence</b>	1 – 7 (best)	3.51	0.58	World Economic Forum Survey
<b>GDP per capita (PPP)</b>	LOG	3.47	0.35	WDI 2008
<b>3-year Growth Rate</b>	%	3.46	4.24	WDI 2008
<b>Inflation Rate</b>	%	1.95	1.01	WDI 2008
<b>Regional Dummy</b>	0 - 1			...
<b>Sector Dummy</b>	0 - 1			World Bank IEG
<b>Project Type Dummy</b>	0 - 1			World Bank IEG
<b>Year Dummy</b>	0 - 1			World Bank IEG
<b>Latitude</b>	-90 - 90			Wikipedia

# Project Performance and Capture



Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse. Number of projects evaluated: 3,340 for 1995-2007 for 92 countries. **State Capture:** Do illegal payments to influence government policies, laws or regulations impose costs or otherwise negatively affect your company?

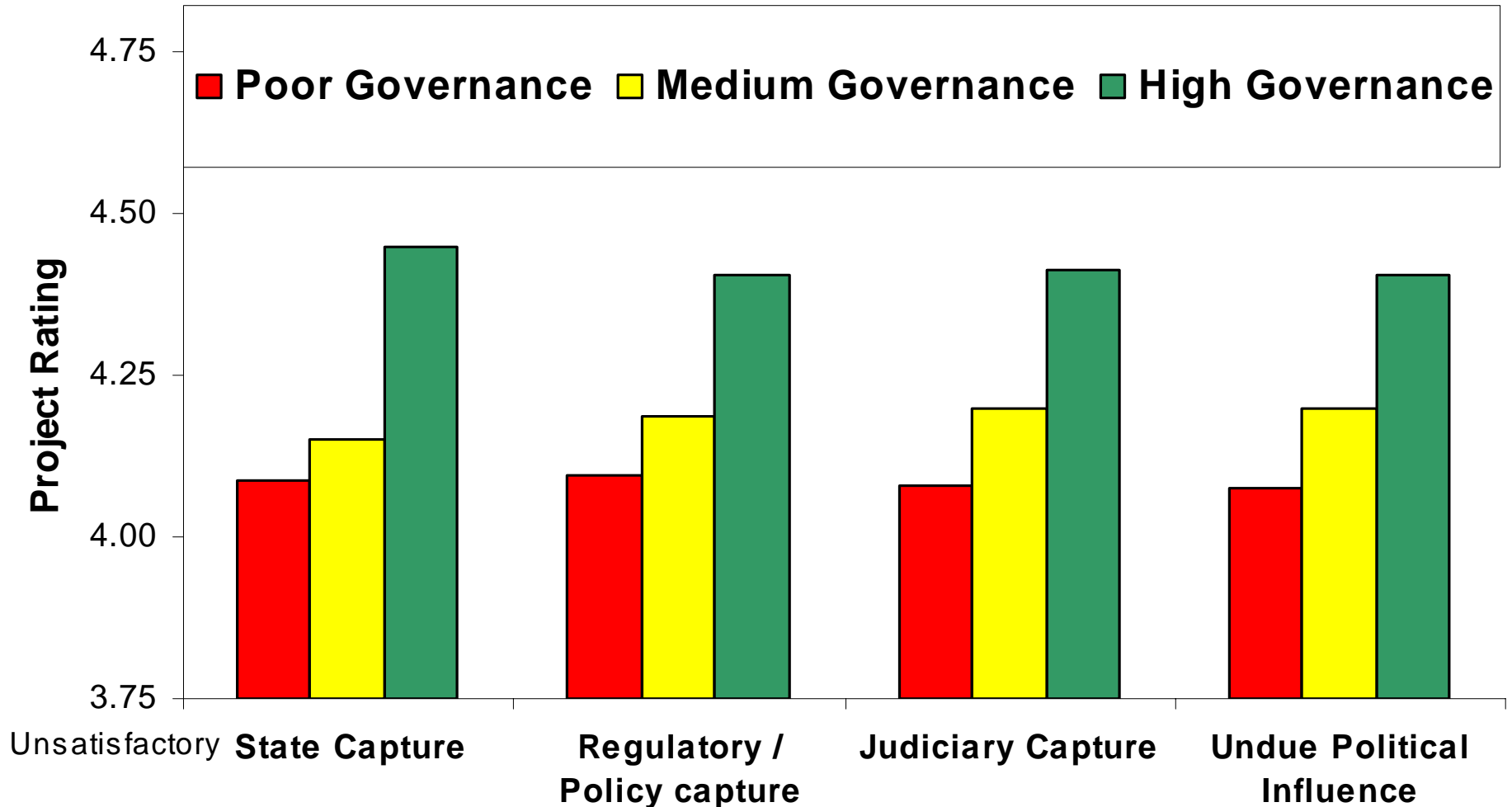
# TABLE 1: Capture & Project Performance in Developing Countries

<b>State Capture</b>	<b># of Projects</b>	<b>Percentage of Successful Projects</b>	<b>Percentage of 'Failed' Projects</b>	<b>Percentage of Low Institutional Development Impact Projects</b>
Top Tercile	1097	63	16	44
Middle Tercile	1134	52	23	55
Bottom tercile	1069	48	26	58
<b>Regulatory / Policy capture</b>	<b># of Projects</b>	<b>Percentage of Successful Projects</b>	<b>Percentage of 'Failed' Projects</b>	<b>Percentage of Low Institutional Development Impact Projects</b>
Top Tercile	1125	62	16	43
Middle Tercile	999	51	23	55
Bottom tercile	1134	50	26	58
<b>Judiciary Capture</b>	<b># of Projects</b>	<b>Percentage of Successful Projects</b>	<b>Percentage of 'Failed' Projects</b>	<b>Percentage of Low Institutional Development Impact Projects</b>
Top Tercile	1094	62	16	44
Middle Tercile	1081	52	23	55
Bottom tercile	1125	49	26	57
<b>Undue Political Influence</b>	<b># of Projects</b>	<b>Percentage of Successful Projects</b>	<b>Percentage of 'Failed' Projects</b>	<b>Percentage of Low Institutional Development Impact Projects</b>
Top Tercile	1149	61	16	45
Middle Tercile	997	53	23	52
Bottom tercile	1112	49	27	58

Note: Top tercile refers to good governance ratings; bottom tercile refers to poor governance ratings. Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Number of projects evaluated: 3,340 during 1995-2007 for 92 countries. **State Capture:** Do illegal payments to influence government policies, laws or regulations impose costs or otherwise negatively affect your company? **Regulatory / Policy Capture:** In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with import and export permits? **Judiciary Capture:** In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with obtaining favorable judicial decisions? **Undue Political Influence:** How much influence do you think individuals or firms with close personal ties to political leaders actually had on recently enacted national laws and regulation that have a substantial impact on your business? **Share of Successful Projects** measures the percentage of projects with a rating of 5 or 6 (out of 6 possible ratings). **Share of Failed Projects** measures the percentage of projects with a rating of 1, 2 or 3 (out of 6 possible ratings). **Share of Low institutional development impact Projects** measures the percentage of projects with a development impact rating of 1 or 2 (out of 4 possible ratings)

# Investment Project Performance & Capture, by Terciles

Satisfactory



Unsatisfactory **State Capture**

**Regulatory / Policy capture**

**Judiciary Capture**

**Undue Political Influence**

Note: Top tercile refers to good governance ratings; bottom tercile refers to poor governance ratings. Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Number of projects evaluated: 3,340 during 1995-2007 for 92 countries. **State Capture:** Do illegal payments to influence government policies, laws or regulations impose costs or otherwise negatively affect your company? **Regulatory / Policy Capture:** In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with import and export permits? **Judiciary Capture:** In your country, how frequently would you estimate that firms like yours make undocumented extra payments or bribes connected with obtaining favorable judicial decisions? **Undue Political Influence:** How much influence do you think individuals or firms with close personal ties to political leaders actually had on recently enacted national laws and regulation that have a substantial impact on your business? **Share of Successful Projects** measures the percentage of projects with a rating of 5 or 6 (out of 6 possible ratings). **Share of Failed Projects** measures the percentage of projects with a rating of 1, 2 or 3 (out of 6 possible ratings). **Share of Low institutional development impact Projects** measures the percentage of projects with a development impact rating of 1 or 2 (out of 4 possible ratings)

# Table 2a: Project Performance and Capture –Results for Regulatory / Policy Capture Corruption Regression

Independent Variables	Dependent variable: Project Rating (1-6)					
	1	2	3	4	5	6
<b>Regulatory / Policy Capture</b>	0.19	0.15	0.18	0.19	0.17	0.28
	6.31***	4.42***	2.62***	3.31***	3.09***	4.06***
<b>Procurement Bribery</b>			-0.03			
			0.49			
<b>Bribery for Permits</b>				-0.03	-0.03	-0.04
				0.66	0.56	0.63
<b>Inflation Rate (log)</b>		-0.13	-0.13	-0.13	-0.13	-0.15
		4.95***	5.15***	5.19***	4.95***	3.83***
<b>GDP per capita (PPP, log)</b>		0.07	0.06	0.07	0.07	-0.28
		0.62	0.54	0.62	0.66	1.57
<b>Growth Rate (past 3 years)</b>		0.01			0.01	0.00
		1.01			0.95	0.13
<b>Latitude</b>						0.40
						1.21
<b>Dummies</b>	Y	Y	Y	Y	Y	Y
<b>Observations</b>	<b>3241</b>	<b>3092</b>	<b>3098</b>	<b>3098</b>	<b>3092</b>	<b>1830</b>
<b>Adjusted R-squared</b>	<b>0.07</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Table 2b: Institutional Development & Capture –Results with Regulatory / Policy Capture Corruption Regression

Dependent variable: Institutional Development Impact						
Independent Variables	1	2	3	4	5	6
<b>Regulatory / Policy Capture</b>	0.12 <i>6.56***</i>	0.10 <i>4.81***</i>	0.05 <i>1.15</i>	0.12 <i>3.15***</i>	0.10 <i>2.61***</i>	0.14 <i>2.91***</i>
<b>Procurement Bribery</b>			0.06 <i>1.33</i>			
<b>Bribery for Permits</b>				-0.01 <i>0.28</i>	0.00 <i>0.04</i>	-0.02 <i>0.54</i>
<b>Inflation Rate (log)</b>		-0.06 <i>3.92***</i>	-0.06 <i>4.43***</i>	-0.06 <i>4.34***</i>	-0.06 <i>3.85***</i>	-0.05 <i>2.22**</i>
<b>GDP per capita (PPP, log)</b>		-0.02 <i>0.37</i>	-0.02 <i>0.38</i>	-0.03 <i>0.43</i>	-0.02 <i>0.38</i>	-0.13 <i>1.25</i>
<b>Growth Rate (past 3 years)</b>		0.01 <i>2.64***</i>			0.01 <i>2.63***</i>	0.01 <i>1.18</i>
<b>Latitude</b>						-0.06 <i>0.31</i>
<b>Dummies</b>	Y	Y	Y	Y	Y	Y
<b>Observations</b>	<b>3047</b>	<b>2946</b>	<b>2951</b>	<b>2951</b>	<b>2946</b>	<b>1738</b>
<b>Adjusted R-squared</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.10</b>

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Table 3a: Project Performance & Capture – Results with Judiciary Capture Corruption Regression

Independent Variables	Dependent variable: Project Rating (1-6), 1995-2007					
	1	2	3	4	5	6
<b>Judiciary Capture (EOS)</b>	0.15	0.13	0.16	0.16	0.16	0.19
	6.46***	5.14***	3.47***	4.14***	4.05***	4.27***
<b>Procurement Bribery</b>			-0.03			
			0.64			
<b>Bribery for Permits</b>				-0.04	-0.04	0.00
				0.88	0.89	0.04
<b>Inflation Rate (log)</b>		-0.14	-0.14	-0.14	-0.14	-0.16
		5.38***	5.70***	5.65***	5.38***	4.18***
<b>GDP per capita (PPP, log)</b>		0.00	-0.02	-0.01	0.00	-0.23
		0.02	0.17	0.10	0.04	1.36
<b>Growth Rate (past 3 years)</b>		0.01			0.01	0.00
		1.19			1.20	0.05
<b>Latitude</b>						0.38
						1.16
<b>Dummies</b>	Y	Y	Y	Y	Y	Y
<b>Observations</b>	<b>3283</b>	<b>3133</b>	<b>3139</b>	<b>3139</b>	<b>3133</b>	<b>1871</b>
<b>Adjusted R-squared</b>	<b>0.07</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Table 3b: Institutional Development and Capture – Results with Judiciary Capture Corruption Regression

Dependent variable: Institutional Development Impact						
Independent Variables	1	2	3	4	5	6
Judiciary Capture (EOS)	0.09	0.09	0.07	0.09	0.09	0.09
	6.55***	5.45***	2.44**	3.87***	3.74***	3.18***
Procurement Bribery			0.03			
			1.06			
Bribery for Permits				-0.01	-0.01	-0.01
				0.28	0.30	0.16
Inflation Rate (log)		-0.06	-0.07	-0.07	-0.06	-0.05
		4.38***	4.78***	4.81***	4.31***	2.51**
GDP per capita (PPP, log)		-0.07	-0.06	-0.07	-0.07	-0.10
		0.97	0.89	1.07	0.97	0.93
Growth Rate (past 3 years)		0.01			0.01	0.01
		2.83***			2.84***	1.02
Latitude						-0.07
						0.35
Dummies	Y	Y	Y	Y	Y	Y
Observations	3085	2984	2989	2989	2984	1776
Adjusted R-squared	0.10	0.11	0.11	0.11	0.11	0.10

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Table 4a: Project Performance & Capture – Results with Undue Political Influence Corruption Variable

Independent Variables	Dependent variable: Project Rating (1-6)					
	1	2	3	4	5	6
<b>Undue Political Influence</b>	0.22	0.17	0.11	0.13	0.13	0.27
	<i>5.55***</i>	<i>4.00***</i>	<i>2.17**</i>	<i>2.78***</i>	<i>2.79***</i>	<i>4.27***</i>
<b>Procurement Bribery</b>			0.07			
			<i>1.95*</i>			
<b>Bribery for Permits</b>				0.06	0.05	0.06
				<i>1.80*</i>	<i>1.69*</i>	<i>1.22</i>
<b>Inflation Rate (log)</b>		-0.14	-0.14	-0.13	-0.13	-0.15
		<i>5.54***</i>	<i>5.56***</i>	<i>5.24***</i>	<i>4.94***</i>	<i>3.93***</i>
<b>GDP per capita (PPP, log)</b>		0.16	0.12	0.10	0.11	-0.26
		<i>1.44</i>	<i>1.04</i>	<i>0.92</i>	<i>0.94</i>	<i>1.48</i>
<b>Growth Rate (past 3 years)</b>		0.01			0.01	0.01
		<i>1.38</i>			<i>1.35</i>	<i>0.80</i>
<b>Latitude</b>						0.42
						<i>1.26</i>
<b>Dummies</b>	Y	Y	Y	Y	Y	Y
<b>Observations</b>	<b>3241</b>	<b>3092</b>	<b>3098</b>	<b>3098</b>	<b>3092</b>	<b>1830</b>
<b>Adjusted R-squared</b>	<b>0.07</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Table 4b: Institutional Development & Capture: Results with Undue Political Influence Corruption Regression

Independent Variables	Dependent variable: Institutional Development Impact					
	1	2	3	4	5	6
<b>Undue Political Influence</b>	0.13	0.10	0.03	0.07	0.06	0.14
	<i>5.09***</i>	<i>3.77***</i>	0.99	<i>2.24**</i>	<i>2.12**</i>	<i>3.50***</i>
<b>Procurement Bribery</b>			0.08			
			<i>3.67***</i>			
<b>Bribery for Permits</b>				0.05	0.05	0.02
				<i>2.64***</i>	<i>2.54**</i>	0.64
<b>Inflation Rate (log)</b>		-0.06	-0.07	-0.06	-0.06	-0.05
		<i>4.59***</i>	<i>4.67***</i>	<i>4.38***</i>	<i>3.83***</i>	<i>2.30**</i>
<b>GDP per capita (PPP, log)</b>		0.04	-0.01	-0.01	-0.01	-0.14
		0.65	0.13	0.11	0.09	1.28
<b>Growth Rate (past 3 years)</b>		0.01			0.01	0.01
		<i>3.07***</i>			<i>3.00***</i>	<i>1.71*</i>
<b>Latitude</b>						-0.04
						0.21
<b>Dummies</b>	Y	Y	Y	Y	Y	Y
<b>Observations</b>	<b>3047</b>	<b>2946</b>	<b>2951</b>	<b>2951</b>	<b>2946</b>	<b>1738</b>
<b>Adjusted R-squared</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.10</b>

Sources: World Economic Forum's Global Competitiveness Survey, 1996-2007 and World Bank Business Warehouse for World Bank-funded projects. Each specification included regional, project type, project sector and year dummies.

*T-stats in italics; \* significant at 10% level; \*\* significant at 5% level; \*\*\* significant at 1% level*

# Some Implications...

- **Capture, Crony Bias & Undue Influence (and governance more generally) can be measured**
- **Higher Incomes translate into better governance: conditional on absence of of State Capture**
- **Micro-level empirical analysis: helps address endogeneity & causality direction (vs. aggregate)**
- **Capture is associated w/ development outcomes**
- **Causality suggested, even if unclear whether capture/elite influence is a deep fundamental driver, or it is a 'proximate' cause. *At any rate:***
- **For policy: even if proximate cause, since no deterministic path, policy/institutional change can affect development outcomes in shorter term**
- **Transparency, civil liberties, donor policies**

# Some food for thought...

***“The oligarchs were so called because they had real power, state power. They wrote laws. They appointed ministers, often entire cabinets, and made sure that their interests were served. They corrupted the new governing, legislative and bureaucratic class of Russia, in the centre, in the regions and abroad...”*** John Lloyd, in the Financial Times, August 5<sup>th</sup>, 2000

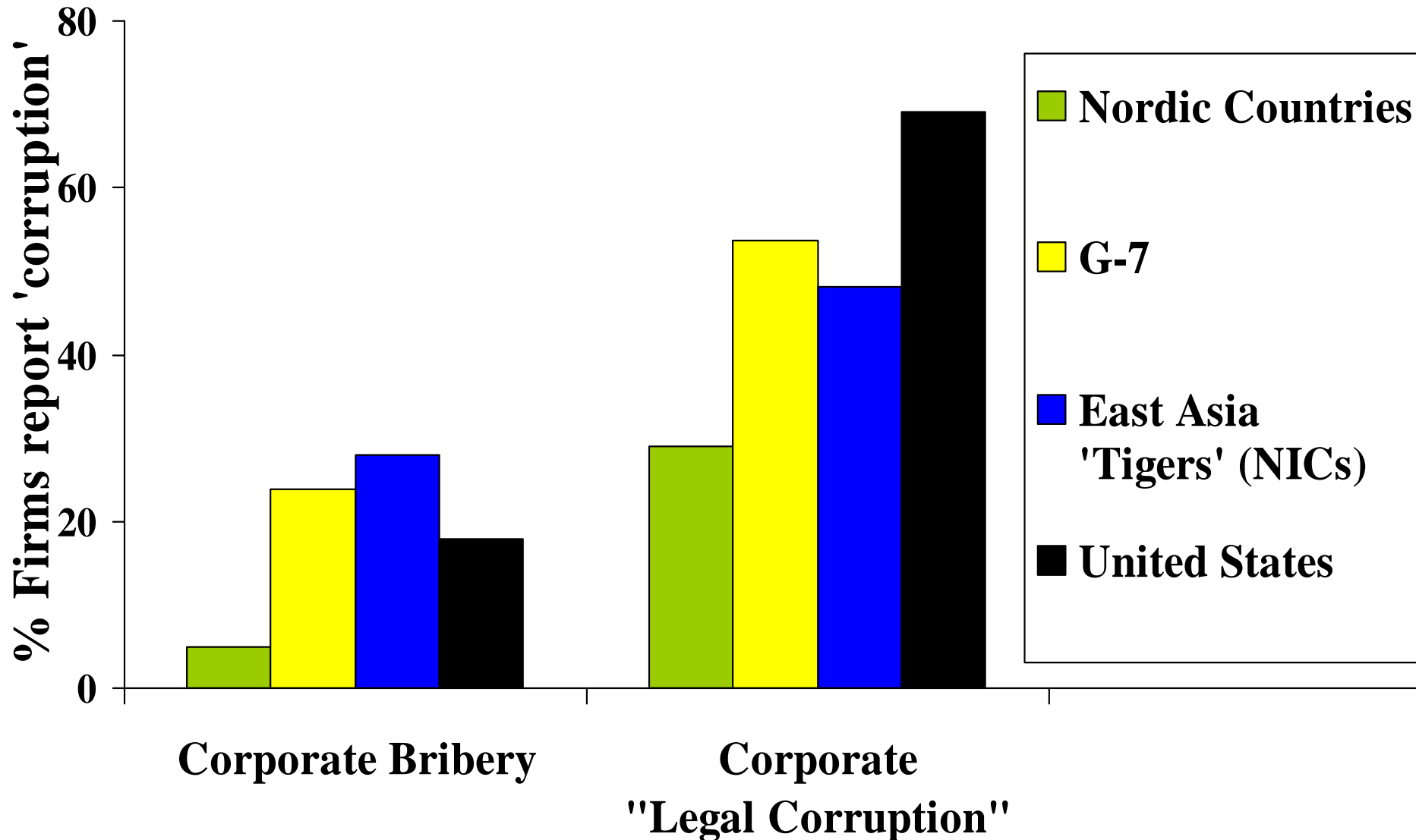
***Fast Forward:*** April 2004 in the US, a meeting in a basement of the SEC in New York...

<http://thekaufmannpost.net/capture-and-the-financial-crisis-an-elephant-forcing-a-rethink-of-corruption/#more-282>

***Fast Rewind:*** The Chef of the Presidential ‘Pink House’ “ ‘Have dinner menus here always been the same?, ’asked a key aide to Menem’s to his chef, at the Argentinian presidential residence. ‘The menus change, the presidents change. What never changes are the dinner guests’, retorted the presidential chef, referring to the cadre of businessmen who frequented the residence. *„El Octavo Circulo, by Cerruti and Ciancaglini*

# Bribery vs. 'Legal Corruption'

% Firms in country/region report corporate bribery vs. 'Legal corruption'



# Research-in-progress and Data Inferences

*The materials contained in this presentation partly reflect work-in-progress, for an NBER compendium in memory of Kenneth Sokoloff. Any data on Governance, Institutions, and Investment Climate is subject to a margin of error. It therefore needs to be treated with caution. It is not intended for precise country rankings, but to highlight relative strengths and weaknesses and carry out research, analysis and suggest policy implications. The research reflected in this presentation is based on various collaborations by the author with Aart Kraay, Joel Hellman, Massimo Mastruzzi as well as useful inputs from others. Errors are the responsibility of the author.*

Further materials & access to interactive data:

General: <http://www.worldbank.org/wbi/governance>

Data: <http://www.govindicators.org>