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Erkki Laukkanen:

Detected corruption in the Nordic countries and elsewhere: How do we stand out?

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1. Introduction

Corruption has no unambiguous, universally recognised definition. The starting point, however, is always the abuse of a dominant position for private gain; either one's self, or an associated network. The greater part of corruption always remains an undetected, hidden crime (Johnston, 1996; Transparency Finland, 2012.).[1] Thus, measuring the scale of corruption is a difficult game: in order to grasp the big picture, several different gauges must be used. Even these only tend to reveal the tip of the iceberg, being based on actual detected cases of corruption (Kaufman *et al.*, 2006; Johnston 2007). Properly measured and focused corruption prevention also requires comprehension of hidden corruption and its influencing factors (Delaney, 2005; Yadong, 2009; Persson *et al.*, 2012).

The best-known corruption index is the CPI, Corruption Perception Index, issued by Transparency International for over 20 years. CPI only measures corruption detected in the public sector. The ratings awarded to each country is based on the information obtained by 7 to 12 international institutions, each of which collect their data through their own means: the citizens in any given target country may not have been asked a thing. The CPI index has always rated the Nordic Countries among the least corrupt in the world.[2] Fortunately, Transparency International also collects data directly from citizens, who must know corruption in their own respective countries better than anyone else. This survey goes by the name of GCB, or Global Corruption Barometer. This rather underutilised survey has been conducted since 2003, excluding the year 2008. Finland has been included since 2004. By 2010, about 452,000 people from 117 countries had replied to the GCB questionnaire.[3]

In this article, I will apply the GCB data in two ways. First, I will attempt to engineer a new integrity index based on the perceptions of the citizens to cover the period from 2004 to 2010. Second, I will interpret the variation within the integrity index thus obtained and by means of regression analysis to cover the entire data for Finland and the Nordic Countries from 2006 to 2010. From the results I aim to answer the question: How do Finland and its Nordic neighbours rank among other geographical areas when the possible bias from certain background variables is taken into account?

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2. Available material

The five contributing factors, which form the basis of the Integrity Index further elucidated in the following chapter, largely cover both the private and the public sector. These factors are the political parties, the parliament, the business community, the media, and the judiciary. All of these have been featured in the survey since 2004 and are, with certain limitations, common to all the countries and groups of countries up to 2010. One limitation concerns the Nordic Countries, from which Sweden was then absent.[4]

Something is always missing. A solid Integrity Index should also include a section dedicated to the money markets; such is the distorted, untransparent power of the financial world that it should not go unnoticed. And this is not all. The endeavours of the police and various supervising officials are also beyond our grasp. Also missing from the data are the sundry "old boy" networks which, according to various surveys, are considered a rather grave form of hidden corruption in Finland (Salminen & Ikola-Norrbacka, 2009; Salminen *et al.,* 2011; Transparency Finland, 2012).

Table 1. Research problems and data

Research problem 1: Conduction of Integrity-index, II
Data source: Global Corruption Barometer 2004 - 2010
To what extent do you perceive the following categories in this country to be affected by corruption?
* Political parties: not at all corrupt (1) - extremely corrupt (5) * Parliament: not at all corrupt (1) - extremely corrupt (5) * Business: not at all corrupt (1) - extremely corrupt (5) * Media: not at all corrupt (1) - extremely corrupt (5) * Judiciary: not at all corrupt (1) - extremely corrupt (5)
Research problem 2: Explaining variation of integrity-scores
Data source: Global Corruption Barometer 2006 - 2010
Explaining variables as in annextable 2:
* Role of the government * Respondents' characteristics * Respondents' labour market position, compared to employed * Geographical areas, compared to Nordic countries * Nordic countries, compared to Finland * Impact of time, compared to 2006

The second part of the article deals with the modelling of causal effects: which factors explain the variation of the integrity index deduced in Chapter 3? The explaining factors have been grouped in Table 1 and individualised in appendix Table 2. Not all explaining variables are necessarily as solid (exogenic) as they should be.

Maybe in need of the most elucidation is the one political variable, the role of the government. The respondents were asked, "How would you rate your present government's anti-corruption action?"[5] If the respondents considered government action "very or somewhat effective", the

indicator variable was awarded the value of 1; otherwise, the value was 0. The variable thus constructed is, therefore, based on the citizens' perceptions of the work of the reigning government and, as such, fairly far removed from an objective appreciation. However, empirical observation also has its supporters in this field of literature (Delaney, 2005).

The respondents' properties, which I also sought to standardise, include creed. These were nine in number: Roman Catholics, Protestants, other Christians, Hindu, Muslims, Jews, and Buddhists. Of these, I have chosen as the indicator variable the Protestants because their creed – or Calvinism – is in the works of Max Weber and others associated with the birth of capitalism and the ethos of entrepreneurship. Similar values may be linked with other religions, too, but a line has to be drawn somewhere. Certain religions or creeds correlate strongly with certain countries and regions. This entailed a choice of two. The choice was based on regional variables, so other religions had to be omitted.

My third remark concerns recognising corruption. To some, it is easy; to others, more difficult. If we allow for this difference in the powers of perception, a particular indicator variable must be added. Luckily, the data includes certain scenarios to help assess the scale of this problem of perception. I have made use of the one with the most responses, which also, in my view, best characterises ordinary bribery.[6]

3. Deducing the integrity index (II)

In this chapter, I will deduce an Integrity Index based on the citizens' perceptions from five constitutient factors: the political parties; the parliament; business; the media, and the judiciary. Each factor has been assessed by the respondents on a scale from 1 to 5: not corrupt at all – entirely corrupt. I reversed the numeric scale and expanded it to span from 0 to 100: entirely corrupt – not corrupt at all. Finally, I added the five factors together and divided the sum by five, after which we also had the total index (the Integrity Index or II) ranging from 0 to 100 points.

Working in this manner, the Integrity Index is revertible to its original sources, and the variation in its constituent factors over time may be evaluated in the same fashion as the variation of the II itself. There is an added bonus: the II becomes comparable with the CPI (Corruption Perception Index) after its update in 2012. It is, therefore, now possible to assess the differences between the CPI and the II deduced here. Core information of the constituent factors and their development may be found in figures 1 – 3.

As seen in fig. 1, the average point values for the constituents of the Integrity Index vary. When the scores for all the participating 49 countries in 2004 – 2009 are added up, the least points were scored by the political parties (29 pts.) and the parliament (36 pts.). Their integrity, therefore, has the most room for improvement. At the other end of the scale, the media fared the best with 47 points, thus enjoying the best integrity among the five constituents.

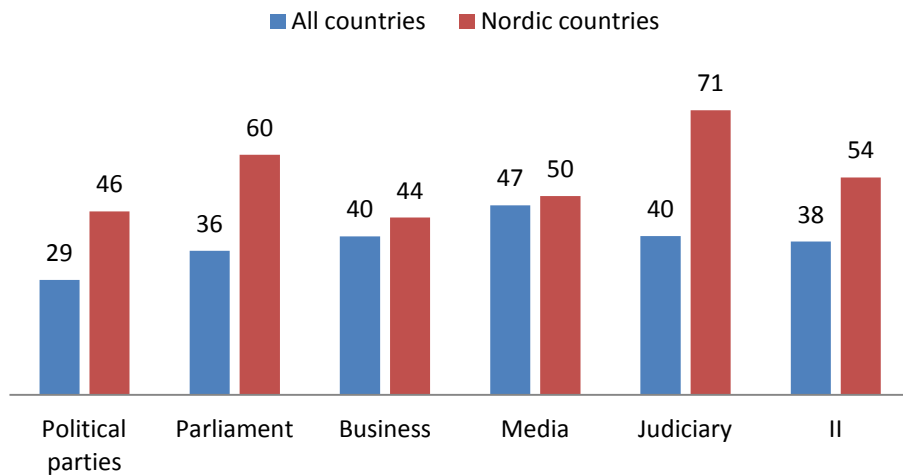**Figure 1. Integrity-index (II) and its parts, score points**

- All countries
- Nordic countries

	Political parties	Parliament	Business	Media	Judiciary	II
All countries	29	36	40	47	40	38
Nordic countries	46	60	44	50	71	54

Figure 2. Change of II and its parts from 2004 to 2010, score points

- All countries
- Nordic countries

	Political parties	Parliament	Business	Media	Judiciary	II
All countries	-0.1	-0.8	1.1	2.9	2.5	1.4
Nordic countries	-12.1	-4.8	-9.4	-0.6	3.2	-4.8

Figure 3. Distribution of II, per cent

- All countries
- Nordic countries

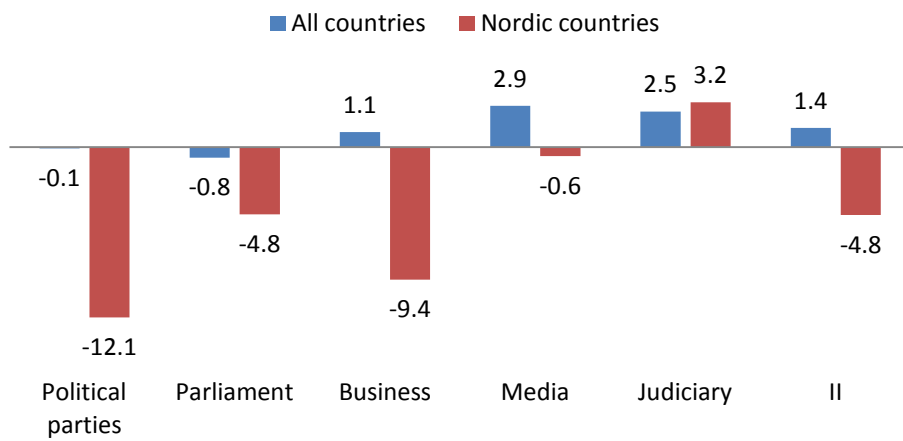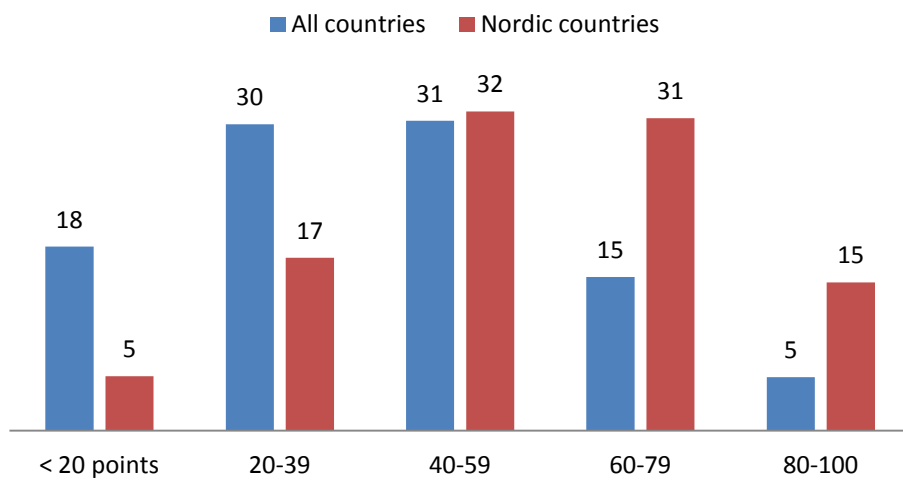|	< 20 points	20-39	40-59	60-79	80-100
All countries	18	30	31	15	5
Nordic countries	5	17	32	31	15

The Nordic Countries are awarded better-than-average scores for all the factors at stake. This holds particularly true with the judiciary (71 pts.) and the parliament (60 pts.). This goes a long way to explaining why the total index for the Nordic Countries (54 pts.) is considerably above the average for the world (38 pts.). This is not all: the relative dispersion of the II and its constituents for the Nordic Countries is in a class of its own; far smaller than for the rest of the world.[10]

Fig. 2 shows the change in the constituent factors of the II from 2004 to 2010. As faith would have it: *this* comparison appears anything but favourable for the Nordic Countries. All the scores, except for those related to the judiciary, have sunk. The political parties faced the biggest drop (12.1 pts.), closely followed by the business communities (9.4 pts.), and then the parliament (4.8 pts.). The total decline for the Nordic Countries is 4.5 points, while the figure for the whole world is up by 1.4 points.

The country-by-country results for the Integrity Index are shown in Table 2, in which the results of the II are compared to those of the CPI.[11] Individual scores differ considerably, while country rankings do so to a much lesser extent. The comparison shows that the CPI rather overrates the integrity in the higher ranking countries, such as the Nordic Countries. In the countries farther down the scale, including the bulk of the developing economies, the differences, are much less marked. The problem with both indicators, however, is the fact that several well-known tax havens exist among the top-ranking countries.[12]

Finally, Fig. 3 shows the distribution of scores in the II from 2004 to 2010. Literature on corruption is yet to present as useful data the appreciations and experiences of citizens. As may be seen, the scores for the Nordic countries are distributed quite differently than the average for the world as a whole. Roughly 20% of the citizens in the 49 surveyed countries award 60 or more integrity points, while the corresponding figure for the Nordic countries is 46%. At the other end of the scale, 48% of all citizens and 22% of those in the Nordic Countries award less than 40 points. Some 15% in the Nordic Countries and 5% worldwide consider their own country completely or almost completely clear of corruption.

4. Factors explaining the variation within the II

Time to tackle research problem number 2: which factors explain the variation of the Integrity Index between the citizens and nations? To begin with, it must be confessed that the available data does not allow for deep scrutiny. Yet the discussion must begin somewhere, and apparently no better provision for a starting point is at hand. Appendix Table 2 shows the results for all countries (Model 1); for the Nordic Countries (Model 2); and for Finland (Model 3).

The results highlight the role of the government behind the variation of the II. If a government has been functioning effectively, the index figure for all the countries improves by some 12 points. The corresponding figures are 15 for the Nordic Countries and 19 for Finland in the observation period from 2006 to 2010. The results are immune to the effects of time, which have been neutralised in

the model by the use of specific indicator variables. The ravages of time have nicked some 5 points off the II for the Nordic Countries from 2006. Finland's score, too, has dropped by a couple of points in the same period.

The second most important predictor for the variation of the II is geographical area. The Nordic Countries, forming the point of comparison in Model 1, are in a class of their own. In other regions, the II scores are 10 to 20 points lower. Farthest behind the Nordic Countries are Latin America, Sub-Saharan Africa, the Western Balkans, and the newly independent (since the 1990s and later) countries such as the former Soviet States. The standard for the Nordic Countries in Model 2 is Finland, which scores clearly higher than Iceland and somewhat better than Norway. Number one, however, is Denmark.

Other factors, such as the personal properties of the respondents or their status on the job market, proved largely marginal and affect the big picture in no manner whatsoever. Personal properties contributing to the decline in perceived corruption are limited to the respondent's living in rural areas, having been retired from work (over 64 years old), and being Protestant. Compared to those at work, all other positions on the job market (unemployed, student, *etc.*) swing the index score less than 1 point one way or the other.

In Models 2 (the Nordic Countries) and 3 (Finland), these factors weigh remarkably more in corruption perception. Outstanding factors in Model 2 include gender (male), age (over 64 years), higher education and Protestantism: each increases the II score. Being able to detect bribery also counts. In Finland, contrary to the other Nordic Countries, rural residency reduces and young age (under 30) increases the II value, and considerably so (about 5 pts.). In both Models 2 and 3, job market status is another contributing factor: The unemployed and the OAPs have perceived more corruption than those at work.[13]

Next, I re-estimated Model 1 separately for the years 2006 and 2010 to establish the change over the years in the II scores between the Nordic Countries and all surveyed countries; the aforementioned background variables being standardised. The results have been collated into Fig. 4. It shows that the gap between the Nordic Countries and other countries has narrowed, as it was markedly bigger in 2006 than more recently. In relation to Latin America and the Western Balkans the reduction is 9 points. The corresponding figures for Sub-Saharan Africa and the newly independent states are 6 points, and for Asia-Pacific, 5 points.

Fig. 5 contains a similar comparison between Finland and the rest of the Nordic Countries.[14] It presents the progress in Iceland as dismal, which is hardly surprising. The gap between Finland and Norway has narrowed a little; that between Finland and Denmark has widened. If there are lessons to be learned from anyone, it must be from Denmark.

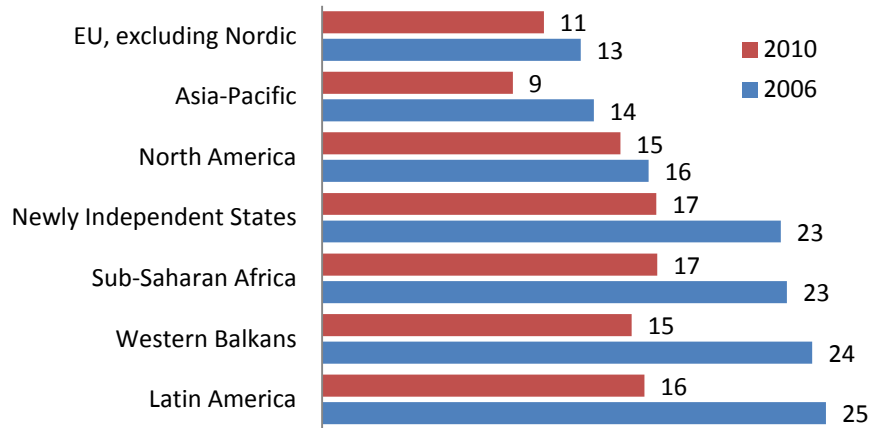**Figure 4. Nordic compared to other areas, II-points**

■	2010
■	2006

Area	2010	2006
EU, excluding Nordic	11	13
Asia-Pacific	9	14
North America	15	16
Newly Independent States	17	23
Sub-Saharan Africa	17	23
Western Balkans	15	24
Latin America	16	25

Figure 5. Nordic compared to Finland, II-points

■	2009-2010
■	2006-2007

Country	2009-2010	2006-2007
Denmark	6	4
Norway	-4	-6
Iceland	-23	-11
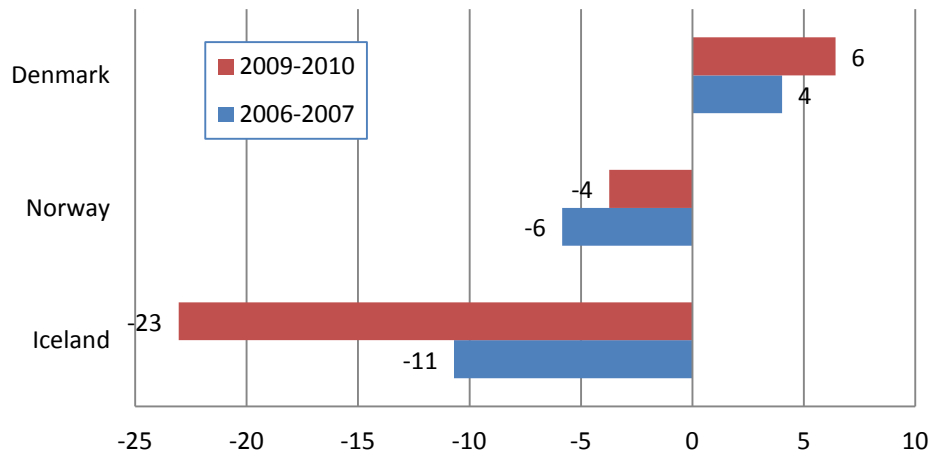
Figure 6. Impact of anti-corruption government, II-points

■ All countries   ■ Nordic countries   ■ Finland

Year	All countries	Nordic countries	Finland
2006	13	17	25
2007	11	14	20
2009	13	16	17
2010	12	13	15
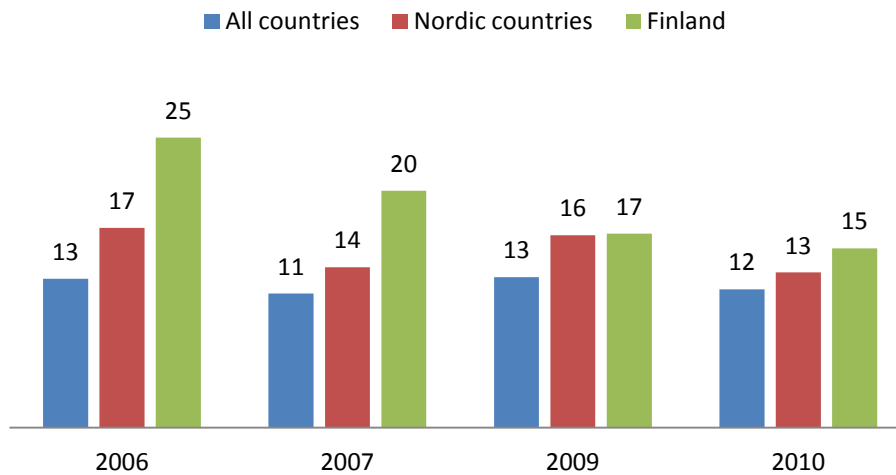
To conclude, I estimated the impact of an anti-corruption government – one that is dedicated to fighting corruption – on the Integrity Index year-to-year from 2006 to 2010, with particular focus on Finland and the Nordic Countries. Fig. 6 shows that we, compared to the rest of the world, stood in a class of our own in 2006. If the government's role in fighting corruption was then considered effective, the II for Finland rose by 25 points, that for the Nordic Countries by 17, and for all countries, 13 points. After that, the potential impact of the government has steadily shrunk, reducing Finland's advantage in 2010 to a couple of points.

5. Summary

Whether it is perceived or detected corruption we are talking about, measuring it is a truly formidable task. What I personally find troublesome is the tendency to define Finland's status in anti-corruption work by using the CPI (Corruption Perception Index) as a source. The CPI is determined by a system of points, awarded by certain international organisations to member countries based on the evidence of corruption in the public sector. The ordinary citizens in those countries are scarcely asked a thing.

In the opening part of this article, I deduced an Integrity Index (II) to rival the CPI. The II is based on a survey called Global Corruption Barometer compiled by Transparency International and rests on data attained by the observations and perceptions of corruption from a representative sample of the citizens in each target country. The II represents the mean of observations from five potential sources or instigators of corruption: the political parties; the parliament; business; the media and the judiciary. Through business and the media, the II also covers a part of the private sector minus, for example, the financial world.

The II thus obtained produced a similar ranking as that gathered by the CPI, despite my earlier criticism of the latter. Top of the list are the Nordic Countries, between which the II however finds much bigger gaps than the CPI limited to the public sector. The average Integrity Index for the Nordic Countries in 2004 – 2010 is 54 points; 16 more than the mean for the total of 49 countries surveyed. During the observation period, however, the space between the Nordic Countries and the others shrank by about 5 percentage points. As for political parties and business, the reduction was in the region of 10 points.

For the second half of the article, I employed regression models to gather a statistical basis for the variation within the II. One model represented all of the surveyed countries, the other the Nordic Countries, and yet another stood for Finland. These models, which at best accounted for just over 30 per cent of the fluctuation, highlighted the government's role in fighting corruption. Where the government had been proficient, the II value increased (depending on the model used) by 12 to 19 points; most of all in Finland and the other Northern Countries. Compared with this, all the other determining factors, such as the respondents' personal properties or their status on job the market, proved relatively irrelevant.

Nevertheless, in 2006 – 2009 when the government's role has been included in the questionnaire, the gap between different countries has been closing. All in all, the difference – as shown by the II index between the Nordic Countries and other geographical regions – shrunk in the same period all the more the bigger it was in 2006. Compared with Western and Central Europe as well as North America, the change has been modest. This suggests that the scores will continue to even out in the future, albeit at a reduced speed.

Has the Finnish government lost its grip? Or have we just lost our faith in it? I lean towards the latter interpretation. The illusion of innocence, which might have prevailed as late as 2006, was blown to smithereens by the campaign funding scandals of 2007. The crisis remains evident in the polls regarding the competence of our government in its various tasks. At the end of the 2000s, more than half of those surveyed felt that the government could and should have done much better in the last few years. When people were asked in 2010 whom they considered the most important actor in anti-corruption work, only 11% of the respondents mentioned the government. Topping the list was the media with 34% of the votes, followed by non-governmental organisations with 15%. But here comes the tricky bit: 27% of those interviewed did not trust anyone at all.

The standing of Finland's governments at tackling corruption has been questioned. Some serious introspection is in order, if faith in the government's work is to be re-established.

Annex table 1. Integrity-index, country-ranking and comparison to CPI.

Ranking by		Integrity-index, II			CPI-score	Score-difference
2009 - 2010		2004-2005	2006-2007	2009-2010	in 2012	in 2009-2010
1	Denmark	64	60	65	90	25
2	Singapore	71	68	62	87	25
3	**Finland**	**59**	**57**	**58**	**90**	**32**
4	Netherlands	54	51	58	84	26
5	Switzerland	53	58	54	86	32
6	Norway	51	51	54	85	31
7	Austria	52	51	53	69	16
8	Luxembourg	53	48	50	80	30
9	Germany	45	46	48	79	31
10	Philippines	36	46	46	34	-12
11	France	37	42	46	71	25
12	Hong Kong	53	45	45	77	32
13	Canada	41	43	45	84	39
14	Thailand	49	47	44	37	-7
15	Turkey	26	27	44	49	5
16	Malaysia	49	50	43	49	6
17	Indonesia	30	33	42	32	-10
18	South Africa	41	41	41	43	2
19	Czech Rep	42	41	41	49	8
20	Poland	29	30	40	58	18
21	UK	45	43	39	74	35
22	India	30	38	38	36	-2
23	Spain	40	39	38	65	27
24	Portugal	39	36	37	63	26
25	Columbia	32	39	37	36	-1
26	Kosovo	54	45	37	34	-3
27	Pakistan	30	32	36	27	-9
28	Nigeria	31	36	36	27	-9
29	Macedonia	29	23	36	43	7
30	Moldova	32	36	36	36	0
31	Iceland	55	46	36	82	46
32	Russia	31	29	35	28	-7
33	Senegal	48	33	34	36	2
34	Cameroon	35	25	34	26	-8
35	Italy	35	38	33	42	9
36	Venezuela	30	36	32	19	-13
37	Japan	37	35	32	74	42
38	USA	40	32	32	73	41
39	S Korea	28	30	31	56	25
40	Argentina	21	23	31	35	4
41	Serbia	29	32	29	39	10
42	Peru	20	26	28	38	10
43	Bulgaria	27	25	28	41	13
44	Bolivia	29	29	27	34	7
45	Panama	22	29	27	38	11
46	Romania	35	32	26	44	18
47	Croatia	34	26	25	46	21
48	Greece	38	34	25	36	11
49	Ukraine	28	27	24	26	2

Annex table 2. Explaining variation of II in 2004-2010, regression models.

Dependent: II-index score	Model 1: All		Model 2: Nordic		Model 3: Finland	
Independent:	Coeff.	Std. Error	Coeff.	Std. Error	Coeff.	Std. Error
Constant	45.1	0.3	50.8	0.6	46.49	0.94
Government's anti-corruption action						
Effective	12.2	0.1	15.1	0.4	18.9	0.7
Respondent's characteristics						
Male	0.9	0.1	2.4	0.3	0.7	0.7
Living in a rural area	1.7	0.2	1.0	0.7	-2.6	1.5
< 30 years of age	0.7	0.1	0.4	0.5	5.1	1.0
> 64 years of age	1.5	0.2	3.5	0.6	2.2	1.2
Third-level examination	0.9	0.1	2.9	0.3	2.6	0.7
Protestant	2.5	0.2	2.3	0.3	3.2	0.7
Able to identify pribery	0.7	0.3	2.3	1.2	0.9	2.3
Labour market position, compared to employed						
Unemployed	-0.6	0.2	-4.0	1.0	-3.9	1.5
Homeworker, student	0.4	0.1	-0.3	0.7	0.6	1.3
On pension	0.1	0.2	-2.0	0.5	-2.1	1.0
Other	0.9	0.7	1.8	1.3	1.2	2.8
Geographical areas, compared to Nordic contries						
Sub-Saharan Africa	-17.8	0.3				
Asia-Pacific	-9.8	0.2				
Other EU and Western Europe	-10.0	0.2				
Latin America	-20.2	0.3				
North America	-13.3	0.3				
Newly Independent States	-18.6	0.3				
Western Balkans	-19.2	0.3				
Other Nordic countries, compared to Finland						
Norway			-3.9	0.5		
Denmark			4.6	0.5		
Iceland			-13.4	0.5		
Time, compared to 2006						
2007	0.4	0.1	-5.2	0.5	-1.8	0.9
2009	0.0	0.3	-7.0	1.2	0.6	2.3
2010	1.4	0.2	-5.2	0.5	-2.9	1.0
R2 adjusted	0.14		0.27		0.24	
Number of observations	166018		12727		3430	

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[1] Catharina Groop from the Åbo Akademi University has in her article (Transparency Finland, 2012) presented the following definitions of corruption: "Behaviour which deviates from the formal duties of a public role because of private-regarding […] gain" (Joseph Nye, 1967); "Abuse of entrusted power for private gain" (UNDP and Transparency International); "Violations of the common interest for special advantage" (Rogow and Lasswell, 1963). These and other definitions have been further discussed in the United Nations Convention against Corruption (UNCAC), Ch. 4.

[2] A useful resume of the possibilities and limitations of CPI may be found in Wikipedia; http://en.wikipedia.org/wiki/Corruption_Perceptions_Index.

[3] The GCB figures are available at: http://www.transparency.org/research/gcb/overview.

[4] The Nordic Counties here are Finland, Norway, Denmark, and Iceland. Sweden is excluded because of her participation in the survey only in 2003, 2006, and 2007

[5] The alternatives were: 1 The government is very effective in the fight against corruption; 2 The government is somewhat effective in the fight against corruption; 3 The government is neither effective nor ineffective in the fight against corruption; 4 The government is somewhat ineffective in the fight against corruption; 5 The government is very ineffective in the fight against corruption; 9 Do not know / no answer.

[6] The respondents were told of the following case: "Upon entering the public office, the public official looks at the application and describes how complicated it can be to get a license. He complains about his workload and how much paperwork it takes to provide the license. Your friend the shopkeeper is worried his application for a business license may be rejected. He offers a payment, roughly equal to five times the price of a good restaurant meal. The public official takes the money and issues the license." The respondents were then asked if corruption was involved. Roughly 80 % replied "yes".

[10] The relative dispersion (clutter) here means the coefficient for variation (CV); in other words, the ratio of the standard deviation to the mean average. It is the so-called scale-invariant measure of clutter, and as such allows comparison between the dispersions within the constituents of an index. Between all the countries here, the variation coefficient is the greatest (102) when assessing the integrity of political parties, and smallest (66) when assessing that of the media. For the Nordic Countries, the CV is at its highest (62) for the perceived integrity of business, and hits the lowest point (39) for the judiciary.

[11] In 2012, the criteria for the composition of the CPI was reviewed to give the index the numerical values from 0 to 100. Previously all countries were given a rating which crucially differs from what has been used here. For this reason, the comparisons have been made by the GCS of 2010 and the CPI from 2012. More information on the CPI is available at http://www.transparency.org/research/cpi/overview

[12] More information on tax havens is available at http://www.financialsecrecyindex.com/2009results.html.

[13] To be on the safe side, I made certain revisions by replacing regional variables with country variables. This measure increased the coefficient of determination for the model by about 10 percentage points. This implies that the policies adopted in any given country bear considerable influence on the index. As to the nature of these policies, the data gives little information.

[14] In order to increase the trustworthiness of the results, *i.e.,* to expand the sample size, I had to add a number of consecutive years together. This was not necessary for any of the earlier figures (such as Fig. 4), as there is sufficient year-to-year data available from other regions.

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