

The Correlation between Corruption and Culture in Relation to Several Economic Indicators

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Abstract

Corruption is commonly characterized as the use of delegated authority for personal benefit. This comprehensive definition includes a range of behaviors and activities, including as bribery, nepotism, and embezzlement. Corruption is said to stem from the interaction between public officials and private individuals or corporations, in which the former has discretionary power that they can manipulate for personal gain. Corruption, as usually defined, refers to the misconduct of public officials who stray from accepted rules in order to pursue personal interests.

This claim is substantiated by the fact that the so-called "accepted norms" undergo periodic changes. The precise delineation of corruption is often ambiguous. At a specific area and time, individuals do not universally perceive norms in the same manner or sense. Nevertheless, there is a unanimous consensus that corruption is universally regarded as a detrimental phenomenon, consistently manifesting as an aberrant conduct. It is necessary to acknowledge that the assessment of corruption relies heavily on the perception of it, which is significantly shaped by economic, social, political, and cultural variables.

While the connection between the perception of corruption and actual corruption is clear, the direction of this link may not align with public opinion. The impression of corruption is shaped by various circumstances, just as the assessment of the extent of corruption is influenced.

A significant distinction between the two concepts lies in the fact that while the definition of corruption level is based on a group-level interpretation, corruption perception is more individualized. The projection of perception at the group level through an averaged, aggregated indicator is highly distorting, as it fails to capture relevant information. In the context of a globalized economy, there is an increasing demand for indicators and instruments that can effectively capture intricate phenomena.

Keywords: Corruption, perception, governance, measurement

JEL classification: L20, M10

The concept of corruption – approaches and nature

Institutional Theories: This perspective examines how institutions can curb or encourage corruption. Weak institutions and lack of transparency contribute significantly to corruption levels, while strong institutions with accountability are essential for combating it. (Biesenthal et al., 2018)

Globalization and Corruption: Globalization's effect on corruption is a developing field of study. Although it may increase corruption due to new opportunities, it can also diminish it by fostering transparency, cooperation, and standardized practices. (Lalountas et al., 2011)

Psychological Aspects: Psychological theories investigate what motivates individuals to engage in corrupt acts. Personal morality, risk perception, and social context significantly influence these decisions.

The Role of Technology in Corruption: Technology has a dual role in corruption. It can enhance transparency and efficiency but also offers tools for hiding corrupt behaviors. (Lalountas et al., 2011)

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Corruption levels can be assessed through various metrics, yet a deeper understanding requires examining individual behaviors and perceptions within a specific country. The literature often differentiates (Żemajtė-Piotrowska et al., 2016) between corruption factors in low- and high-income countries. In poorer nations, low pay and poor working conditions increase corruption risk. In contrast, in affluent countries, corruption is viewed as an exception (DeLeon & Green, n.d.).

Understanding corruption's implications can be complex. Despite various definitions, it is largely recognized as an abuse of power. Most corruption literature begins by defining the term.

The Corruption perception Index (CPI)

A major issue in corruption research is the absence of a universal standard to quantify corruption, hindering meaningful comparisons between nations (DeLeon & Green, n.d.). Studies on corruption factors or consequences often rely on perception indicators like the World Bank's Control of Corruption Index (CCI), the Corruption Perceptions Index (CPI), and the Global Integrity Index. The CPI from Transparency International is frequently used to assess and rank corruption levels, yet it assumes that various data sources are equally significant and independent, which is flawed.

The term "corruption perception" can be misleading as it suggests a focus on individual views. In reality, the Corruption Perceptions Index (CPI) is complex, incorporating 13 indicators and data from 12 international institutions. Thus, the CPI serves as a composite indicator. Most indicators evaluate the quantity and frequency of transactions within structured processes, describing the macroenvironment.

The indicator suggests behavior and perception indirectly, lacking explicit measurement. Interpretation poses challenges as the distinction between actual corruption and perception often blurs, despite careful analysis. Søreide (2006) notes the public sees the CPI more as a corruption levels estimation than a perception. Corruption is viewed as an unavoidable aspect of economic and social interactions (Budsaratragoon & Jitmaneeoj, 2020) and is often accepted as customary (Alvarez, 2015).

Many cultures significantly affect social phenomena, as scholars agree (Alvarez, 2015; Budsaratragoon & Jitmaneeoj, 2020; Spyromitros & Panagiotidis, 2022). Research shows that cultural values impact individual behavior (Hernandez & McGee, 2013). Cultural factors shape ethical beliefs and will influence corruption. Understanding these factors is vital for enhancing corporate and national competitiveness (Spyromitros & Panagiotidis, 2022) and ensuring successful foreign operations (Gupta, 2016; Vitell et al., 1993).

Previous studies emphasize national culture's role in corruption research, yet few examine multiple nations (Gupta, 2016). Current CPI findings show stable corruption levels compared to last year, but an increase in nations experiencing declines. The COVID-19 pandemic, climate change, and global security risks worsen perceptions of governmental corruption. The pandemic tested nations' economies and individuals' mental resilience. Political instability and resource scarcity intensify governmental pressure, fostering corruption. CPI data reveals that highly corrupt nations often engage in military conflicts.

Hofstede's Dimensions in Different Cultural

This process influences susceptibility to corruption. Vulnerability and adverse encounters affect individuals' behavior through reciprocal reinforcement. Further research is necessary to explore these relationships at the individual level. I aim to deepen my understanding of corruption sensitivity, related experiences, and behavioral dynamics, as well as how cultural traits shape perceptions of corruption. References include Andersson and Heywood (2009) and Hong & Yang (2024).

Corruption is rooted in culture and affects various processes. Dutch scientist Hofstede developed six cultural dimensions that I will use to analyze this topic. The citation "Hao et al., 2021" refers to a publication by Hao and colleagues.

- **Power distance:** This refers to the level of inequality among individuals that we are willing to tolerate.
- **Individualism vs. collectivism:** Cultural groups prefer either individual or collective decision-making (Sánchez-Vidal et al., 2024).
- **Masculine vs. feminine:** Discusses features associated with males and females, which can vary by culture. In masculine cultures, competition is valued for success and endurance; in feminine cultures, solidarity is emphasized with empathetic support (Paechter, 2006).
- **Uncertainty avoidance:** Societies differ in their tolerance for uncertainty. One end of the spectrum includes those who resist collective thinking, while the other includes those who welcome diverse perspectives and critical analysis (Brashers, 2001).
- **Long-term vs. short-term orientation:** This orientation can be viewed as a time scale. Some individuals prioritize the future with savings and planning, while others see outcomes through national pride based on past achievements (Hofstede & Minkov, 2010).
- **Indulgence vs. restraint:** This describes societal tolerance for the cultural behavior of various socioeconomic classes and how much they are constrained by social norms (Hofstede & Minkov, 2010).

The correlation between global stock market indices and the prevalence of corruption in society

Economic freedom index

The 2023 Index of Economic Freedom by The Heritage Foundation evaluates 184 countries' economic policies and conditions, analyzing aspects like property rights, judicial effectiveness, government integrity, tax burden, spending, fiscal health, and freedoms in business, labor, trade, investment, and finance. The report reveals a global decline in economic freedom, particularly regarding fiscal stability, as rising deficits and public debt impede productivity. It underscores a strong link between economic independence, dynamism, and well-being, showing that economically free countries tend to achieve better earnings and overall health.

Some paper also emphasises the influence of the COVID-19 epidemic and geopolitical occurrences, including as Russia's incursion into Ukraine, on the worldwide economy. It highlights the significance of safeguarding and improving circumstances for strong, adaptable, and extensive economic expansion, especially in light of enduring structural obstacles.(Eisenstadt, 2000)

Economic index and corruption

The Index of Economic Freedom includes data on corruption levels in various countries. It assesses government integrity as a key economic indicator of perceived corruption. The integrity score considers bribery frequency, anti-corruption effectiveness, and government transparency.

Research shows that corruption remains a major issue, particularly in nations with poor governance and ineffective strategies. It highlights corruption's negative impact on economic progress by eroding public trust and distorting market competition.

The report ranks government integrity globally, showing Hungary's score at 57.8, categorizing it as "moderately free," indicating concerns about corruption, although it exceeds the global average of 44.6.

World Happiness Index

The World Happiness Report is an annual publication assessing global happiness. It uses a survey based on the Cantril ladder question and considers factors like GDP per capita, social support, life expectancy, freedom, generosity, and corruption.

The research evaluates average life satisfaction across countries over the last three years, ranking them accordingly. Finland has topped the happiest country list for six years. It highlights how crises like COVID-19 affect happiness, emphasizing the importance of social connections, trust, and kindness in helping communities adapt to disasters. The report explores the link between altruism and well-being, the impact of social media on diverse cultures' well-being, and advancements in data collection to predict happiness and reduce errors. It offers insights into factors contributing to happiness across nations, comparing countries such as Afghanistan and Lebanon, the least happy according to the survey, which score over five points lower than the ten happiest countries. Additionally, it discusses determinants of happiness in various global regions, such as social support in Latin America and freedom and trust in Western Europe. The World Happiness Report serves as a vital resource for policymakers, researchers, and the public to understand and enhance happiness and well-being worldwide.

World Happiness index and corruption

The World Happiness Report 2023 highlights corruption's negative impact on happiness and well-being. Corruption undermines trust in organizations and social cohesion, reducing overall welfare. It uses the Perception of Corruption index from professional and business surveys to categorize countries by corruption levels. The analysis shows a strong link between higher corruption and lower happiness. Corruption hinders economic growth by distorting markets and reducing investment. The report suggests strategies to reduce corruption, such as strengthening institutions, increasing transparency, and promoting accountability. It emphasizes the need for sustained commitment to combat corruption, noting that while progress may be gradual, persistent efforts are essential for improving global happiness.

Global Gender GAP report

The World Economic Forum's Global Gender Gap Report examines global gender inequalities. It uses data from international organizations and a survey of CEOs. Information is collected by the Forum, but findings may not represent the organization's views. The report focuses on specific economic regions where statistical data is independently gathered.

The study acknowledges the collaboration of participants like LinkedIn and Ipsos in providing practical insights through the New Metrics Co-Lab. It also thanks those involved in copyediting, visual design, layout, and developing the report's Country Profiles and online Data Explorer. (Spyromitros & Panagiotidis, 2022)

Hungary ranks 99th out of 156 nations in gender parity, with a score of 0.688. In the Global Gender Gap Index, it is 55th in Economic participation, 48th in Educational achievement, 49th in Health, and 36th in Political empowerment.

Hungary scores lower than Austria in all index dimensions. Austria ranks 21st overall with a score of 0.777, surpassing Hungary in every category: 27th in Economic participation, 81st in Educational achievement, 68th in Health, and 14th in Political empowerment (Gutmann et al., 2020).

Rule of Law index

The 2023 Rule of Law Index by the World Justice Project assesses the rule of law across 142 nations based on eight criteria, including government limits, transparency, rights protection, and justice efficiency. Over 6 billion people live in countries experiencing rule of law deterioration, marked by executive overreach and weakened human rights protections. Authoritarian trends, beginning in 2016, persist globally, though their severity has lessened for the second consecutive year. Some nations have successfully countered authoritarianism and improved justice and human rights, proving progress is possible. The analysis shows a global decline in limits on government power and a widespread deterioration of fundamental rights.

The survey indicates a global improvement in transparent government, with a majority of countries making progress in this domain. The analysis reveals that civil justice is falling behind in comparison to other aspects of the rule of law, since a majority of countries are witnessing reductions in this domain.

Rule of law index and the corruption

The report assesses corruption across government sectors, including the executive, judiciary, police/military, and legislative branches. Hungary scores 0.56 on the corruption scale, indicating perceived corruption in its systems (Donchev & Ujhelyi, 2014; Park, 2003). This research emphasizes addressing corruption to uphold the rule of law, noting its negative impacts on public trust, economic growth, and government efficiency.

The paper emphasizes the need for ongoing efforts to combat corruption and uphold the rule of law in Hungary and beyond. By implementing measures to fight corruption and improve transparency, countries can work towards a fair society. (Abdiweli M. Ali, 2003)

Conclusion

Research shows that the link between corruption and culture is complex, impacting public trust, economic growth, and government efficiency. Tackling corruption is essential for upholding the integrity of the legal system. The article discusses corruption in various government sectors (executive, judiciary, police, legislative) and explores perceptions of corruption in Hungary. It highlights the need for ongoing efforts to combat corruption and strengthen legal adherence. Additionally, the article stresses the importance of transparent governance and legal fairness to advance global collaboration, uniformity in corporate practices, and addresses how cultural, economic, and political factors influence attitudes toward corruption.

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