Research article

Determining Factors Affecting Corruption: A Cross Country Analysis

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Abstract

Corruption, defined as the abuse of public power for private benefit, is one of the main problems faced by developing countries. Corruption tends to dampen economic progress and trigger economic inequality. In an effort to prevent those detrimental effects, many countries spend considerable amount of resources to eradicate corruption. However, this effort tends to fail, mainly due to the lack of understanding on factors affecting corruption and the lack of political will. This paper studies the relationship between ten independent variables – economic openness, ratio between public budget and total GDP, quality of democracy, press freedom, ratio between export from natural resources and total export, proportion of people who live in urban area, political stability, quality of regulation and economic freedom – and control of corruption. I use fixed effects method with time dummies and country dummies to understand the time specific as well as country specific effects, effecting control of corruption. Due to the extensive data, the unique independent variables and methodology, this paper moves beyond the previous studies concerning corruption and enables me to draw three unique conclusions relevant for the decision makers who intend to eradicate corruption. **Copyright © IJEBF, all rights reserved.**

Keywords: Corruption, GDP, Economic Openness, Public budget, Quality of democracy, Natural resources, Press freedom.

1. Introduction

Corruption, defined as the abuse of public power for private benefit, is one of the main problems faced by developing countries. Corruption can dampen economic progress. As a response to those detrimental effects, many countries spend a considerable amount of resources to eradicate corruption. However, this effort tends to fails, mainly due to the lack of understanding on factors affecting corruption and the lack of political will. Corruption has

become an interesting discussion topic in both the academic as well as the practical world. Theories on corruption are numerous nowadays. However, cross country empirical research is relatively rare mainly due to the difficulty in measuring level of corruption in different countries and the lack of accurate data (Treisman 2000). Recently, comprehensive and accurate data on corruption has become relatively accessible. This enables me to analyze 133 countries for the year 1996, 1998, 2000, 2002 and 2004, with eight independent variables – that can be categorized into social, economic and political factors. Some of those variables have never or have rarely been used in previous studies. These data consisting of over 500 observations enable me to create a model using panel data. The model gives useful information on the relationships between those ten independent variables and control of corruption score. I use the World Bank control corruption score as the dependent variable. The score ranges from -2.5 (for very corrupt country) and +2.5 (for very clean country). Countries with high control of corruption scores (e.g. Finland and Sweden) have low levels of corruption. In contrast, countries with low control of corruption scores (e.g. Zimbabwe and Bangladesh) have high corruption levels. Finland and Sweden are characterized by ethnic homogeneity, strong political stability, economic freedom, press freedom and high quality of regulation. In contrast, in Zimbabwe and Bangladesh those characteristics are relatively weak.

2. Literature

This paper will build on and incorporate the findings of previous studies. In this section, we will outline several findings on the relationship between several factors such as economic openness, public budget, natural resources, economic freedom, quality of democracy, press freedom, political stability, ethnic diversity and quality of regulation. we analyze cross country data concerning these factors, in addition to urban population and quality of regulation, to understand the relationship between the ten factors and control of corruption.

Studies have been made on the extent to which corruption can be explained by a low level of economic competition. Ades and Di Tella (1995 and 1997), in particular conclude that economic openness -- measured by the ratio of imports to GDP -- stimulates fair economic competition that lowers economic rents and increase the level of control of corruption through economic openness.

Economic openness promotes economic integration with the global economy. As a result, domestic economic players should be able to compete with their peers from the overseas to survive and/or to grab market opportunity in other countries. This development could stimulate the domestic private sectors to operate more efficiently. On the other hand, it will also stimulate the government to be more hand off and to introduce a more efficient regulation, by reducing red tape and discouraging monopoly in search of a more competitive economy. In sum, the combination of efforts by public and private sectors could strengthen the control of corruption.

In line with the above opinion, other research suggests that government involvement in the economy represented by the ratio of public budget to GDP could weaken control of corruption. Specifically, Elliot (1997) suggests that control of corruption decreases with levels of government budget relative to GDP. The government involvement may promote monopolies and discourage open and fair competition among business players, developments that encourages corruption. In order to promote economic growth, the government should provide more opportunity for the private sectors and stay focus as economic regulator.

Daniel Treisman (2000) observes that functioning democracy – through check and balance of power – limits government's power and strengthen control of corruption score. In contrast, ethnic diversity, that could trigger nepotism and collusion, has a positive correlation with control of corruption. In addition, ethnic diversity may generate conflict that could lead to political instability and prolong civil war (Montalvo et al 2004). Further, Mauro (1995) find that ethnic diversity implies a lower level of investment, a situation that has negative relationship with economic growth (Easterly & Levine 1997). Another study by Bluedorn (2001) shows that ethnic diversity, a situation that could stimulate the opportunity for corruption.

Hall and O'Neil's (2002) conclude that press freedom and democracy strengthen each other, especially when press freedom is combined with a strong civil society. The authors find the positive relationship between democracy and Control of corruption. In addition, Brunetti and Weder (1999) argue that press freedom is correlated with low overall corruption. Press freedom enables media to publish balanced news about the government, including news about corruption by government officers. This circumstance promotes accountability mechanism by the public, a

development that strengthens control of corruption. This is in line with Klitgaard statement in his book, Controlling Corruption, that corruption is positively affected by government's discretionary and government monopoly and negatively affected by government accountability.

Carlos and Weidman (1999) find a positive relationship between high proportions of exports from natural resources and Control of corruption. Natural-resource related industries are very lucrative, and people are willing to do whatever it takes to control those resources. This opens a window of opportunity for government officials, who have access to those through regulation, to enrich themselves through illegal rent seeking activities.

Fatic Aleksandra (2000) discover that stability is an important precondition for successful corruption mitigation. Stable political, economic and social conditions enable the government and citizen to promote transparent mechanisms of corruption monitoring, assessment and control. She also indicates that corruption is rampant in countries in South-East Europe that undergone political transition. Often times, this transition is accompanied by political, economic and social instability. This instability may make corruption the only available option for citizen, including government officers, to survive. Reading from this study, political stability may have positive relationship with the control of corruption.

Economic freedom, defined by Heritage Foundation and Wall Street Journal, as "the absence of government constraint or coercion on the production, distribution, or consumption of goods and services beyond the extent necessary for citizen to protect and maintain liberty itself." Eiras (2003) finds that economic freedom gives a guidance to understand how open countries are to competition; the level of economic intervention by the government; and the autonomy and power of the judiciary system to implement rules and law. Further, Eiras finds that the lack of economic freedom -- due to lack of rule of law, overregulation, and a large public sector -- could force citizen to involve in informal economic activity, instead of formal activity, a situation that is fertile for corruption.

In addition to the above variables, we used two variables, quality of regulation and urban population that have never been used in any previous studies. Quality of regulation may have positive predicted relationship with control of corruption since high quality regulation is clear, comprehensive and enforceable. These three qualities could help anti-corruption mechanism, in the country to function more effectively. In addition, proportion of urban population may also has positive relationship with control of corruption since urban citizen tend to be well educated and more involve in the civic societies activities – crucial watchdogs to promote government accountability.

Our research moves beyond the earlier studies of corruption since we used different independent and dependent variables in addition to more recent data (from 1996 to 2004), cover more countries (133 countries) and employ a panel data set. This is an enhancement to previous models and provides a contribution to the literature.

3. Hypotheses

This paper examines the relationship between the ten economic, political and social variables on countries' control of corruption score. The ten variables are: economic openness, ratio between public budget and total GDP – a proxy for government dominant in the economy, quality of democracy, press freedom, ratio between export from natural resources and total export, proportion of people who live in urban area, political stability, quality of regulation and economic freedom.

Based on the literature reviews and the preliminary observations on the relationship between dependent and independent variables, our preliminary hypothesis shows that the independent variables have the following expected relationship with the dependent variable.

Table 1: Expected Direction of the Relationship

No.	Independent Variables	Category	Expected Sign*
1.	Economic openness	Economic	+
2.	Public budget	Economic	--

3.	Natural resources	Economic	--
4.	Economic freedom	Economic	+
5.	Quality of democracy	Political	+
6.	Press freedom	Political	+
7.	Political stability	Political	+
8.	Urban population	Social	+
9.	Ethnic diversity	Social	--
10.	Quality of regulation	Social	+

Referring to the above preliminary hypothesis, in order to improve the control of corruption, countries should improve the economic openness, economic freedom, quality of democracy, press freedom political stability and quality of regulation. In addition, countries should reduce the impact of factors that have negative relationship with control of corruption such as public budget, reliance on natural resources and ethnic diversity. The relationship between the independent variable and dependent variables can be linear or non-linear. In order to understand the pattern of the relationship, we conduct preliminary exploratory investigations that show non-linear relationship between control of corruption score and urban population as well as press freedom. As a result, we include the non-linear term of urban population and press freedom in the model.

4. Methodology

4.1 Data Source

We were able analyze 133 countries that represent five continents in the world for the period of five years (1996, 1998, 2000, 2002 and 2004). The primary reason for using the 133 countries and five years is data availability. The World Bank provides information on control of corruption for 200 countries from 1996 to 2005. However, due to missing data for the independent variables, we removed around 70 countries and the year 2005 from the data set. This adjustment leaves us with 504 observations, a sufficient number of observations to run pooled time series data analysis.

This paper moves beyond the earlier studies of corruption for the following reasons: (1) we used World Bank data on control of corruption as the dependent variable instead of Corruption Perception Index by Transparency International. World Bank covers more countries than Transparency International, which enable this paper to have more observations (504, compared to 226 if I use Transparency International data); (2) we included variables that never or rarely have been used in any previous studies such as quality of regulation, urban population and press freedom; (3) we used 504 observations, relatively larger than any other previous studies on corruption; (4) the use 2004 data, a relatively new set of data; and (5) we also used fixed effect model with pooled time series data that quantifies country-specific effects and year-specific effects.

Table 2: Description of Variables and Sources of Data

Variables	Sources	Description
Control of corruption	World Bank	Index, indicating the control corruption in each country, ranging from -2.5 (for the most corrupt) to +2.5 (for the cleanest).
Economic openness	World Bank	The proportion between total value of import plus export and GDP

Public budget	World Bank	The ratio between public budget and national GDP
Natural resources	World Bank	The ratio between export from natural resources (i.e. oil, gas, minerals, etc) and total export
Economic freedom	The Fraser Institute	Index, indicating the level of economic freedom, ranging from 0 (no freedom) and 100 (perfect freedom)
Democracy	Politi IV, University of Maryland	Index, indicating the quality of democracy, ranging from -10 (for autocratic or no democracy) to + 10 (for high quality democracy
Press Freedom	Freedom House	Index, indicating the level of press freedom in countries, ranging from 0 (for no press freedom) to 100 (for perfect press freedom
Political Stability	World Bank	Index, indicating political stability, ranging from - 5 (for very unstable) to +2 (for very stable)
Urban Population	World Bank	The fraction of population who live in urban area

4.2 Model Specification

This paper uses pooled cross section data, fixed effects model regression is the appropriate model for understanding the relationship between the dependent variable (control of corruption) and the ten independent variables which are economic openness, ratio between public budget and total GDP, quality of democracy, press freedom, ratio between export from natural resources and total export, proportion of people who live in urban area, political stability, quality of regulation and economic freedom.

The basic specification for the model is as follows;

$Control\_Corruption$ $(_{it})$ = β_0 + β_1 $Eco\_openness(_{it})$ + β_2 $Pub\_budget(_{it})$ + $\beta3Nat\_resources(_{it})$ + β_4 $Ec\_freedom(_{it})$ + $\beta_5Democracy(_{it})$ + β_6 $Press\_freedom(_{it})$ + $\beta_7Pol\_stability(_{it})$ + $\beta_8Urban(_{it})$ + $\beta_9Ethnic\_diversity(_{it})$ + β_{10} $Regulation(_{it})$ + $\beta_{11}Press\_freedomSQ$ + β_{12} $UrbanSQ$ + $\sum \beta_{13}t$ $Time(t)$ + $\sum \beta_{14}i$ $Country(i)$ + μ

The above regression use 132 country dummies, this enable us to understand the impact of country specific factor on country's control of corruption. Each country has specific circumstances that cannot be explained by the ten independent variables. Factors that could be part of the country's specific circumstances are history, culture, economic inequality, illiteracy rate, traditional belief, geographical and geopolitical situation, political ideology and character of leader.

We used Cuba as the baseline since this country has control of corruption score very close to the average score of the 133 countries in 1996. This makes the interpretation relatively easier. Assuming that the 133 countries has the same figure on the ten independent variables, country with negative (positive) country dummies tend have less (more) control of corruption score than Cuba.

We also used time dummies in order to capture the variation of the control of corruption score from year to year, affected by factors such as the growing effort by global community to eradicate corruption (i.e. initiative by the United Nations and the World Bank to alleviate global corruption), the tougher global economic competition, and the shift in global political landscape, the effect of the ten independent variables on the control of corruption score are varies from year to year. We use 1996, the first year, as the baseline, in order to make the interpretation easier.

5. Results

The test result in an F test score of 5.87; shows that the model provides a better prediction of control of corruption score then simply averaging the control of corruption score. The R-square of the regression is 97.17 percent and adjusted R-square of 96.1 percent.

Table 3: Determinant of Control of Corruption

Variable	Coefficient	T-Statistic	Beta
Economic Openness	-0.1930 *	1.77	-0.376
Public Budget	0.4876	0.91	0.127
Natural Resources	0.1912	0.97	0.185
Economic Freedom	0.0060 *	1.99	0.372
Democracy	0.0089	1.25	0.178
Press Freedom	-0.0084	-1.42	-0.789
Press Freedom Squared	0.0001 *	1.76	0.833
Political Stability	0.1852 ***	4.05	0.798
Urban Population	-8.0472 ***	-2.91	-7.081
Urban Population Squared	6.0796 ***	2.55	4.708
Ethnic Diversity	-0.3476 ***	-3.82	-3.128
Quality of Regulation	0.0554	1.31	0.443
Year 1998	-0.7684	-2.06	-0.768
Year 2000	-0.0595	-1.49	-0.059
Year 2002	-0.0998	-2.34	-0.099
Year 2004	-0.0510	-1.07	-0.051
Intercept	3.7311	3.60	3.731
Country Dummy	(132 countries)		
No of Observation:	504		
F-Statistic:	5.87		
R^2:	97.17%		
Adjusted R^2:	96.10%		

The Hausman test shows that we could not reject Ho that the differences are not systematically significant, therefore country specific dummy variables are required for proper model specification.

 *) Significant at 10%, **) significant at 5%, ***) significant at 1%

From the ten independent variables, six variables are statistically significant which confidence level ranging from one percent to ten percent. Two variables are significant at one percent significance level, two at five percent and one at ten percent. However, one variable which is economic openness has negative relationship with control of corruption. This is not in line with my hypothesis and the existing literatures.

6. Discussion

6.1 Ethnic Diversity

Ethnic diversity is a key determinant of control of corruption; in fact this variable has the largest beta. It is very unfortunate that ethnic diversity is given and there is nothing government can do to change it. Ethnic diversity may trigger nepotism, a root of corruption (Treisman 2000). In an ethnically diverse country, people may put the interest of people from the same ethnic group above the interest of the nations. When they are in power, the may abuse the public authority for private interest which is the interest of their group. They could direct the access of natural resources to people from the same ethnic; manipulate recruitment process for the benefit of their ethnic groups and award contract to their colleague.

6.2 Political Stability

Mitigating corruption is a long process, which required continuous effort from the government and the civil society. Without political stability, the continuous and lengthy process is not effective. In addition, political stability is a key precondition for law enforcement and law enforcement is a precondition for controlling corruption. World Bank data shows that political stability score and control of corruption score has regression coefficient of 0.182. This mean, apart from other factors, instable country tend to be more corrupt than politically stable country. For example, the regression shows that the most politically instable countries such as Congo Democratic Republic (with political stability score of -2.29), Nepal (-2.01), Sudan (-2.01) and Colombia (-2.02) compare to the average score of -0.02, are among the most corrupt country in the world. Those countries experience prolong political transition that poses significant challenge for law enforcement. In addition, transitional governments also tend to have high discretionary power, this combined with the inexistent of accountability mechanisms tend to allow corruption to thrive. Unstable countries tend to have regime changes quite often. Those regimes tend to abuse their relatively short politically power for their personal benefit through corruption.

6.3 Urban Population

The rural area is characterized by the relatively simple economic structure and less competitive life style, with farming dominating. The relatively simple economic structure could make corruption obvious, increasing the risk of doing corruption. In addition, the less competitive life style reduces the temptation for the people to corrupt. The strong social capital or trust in the rural area also a possible explanation of the strong control of corruption scores. At some point beyond the population density of rural countries, the proportion of urban population has negative relationship with control of corruption score. A possible explanation is that the more urban the population, the more complex the economic structure and the higher the level of the competition that could trigger the increase in corrupt behavior by the people to have access to the scarce economic sources.

Interestingly, after reaching a certain level, an increase in proportion of urban population exhibit positive effect on control of corruption score. Singapore, Belgium, the Netherlands, Luxemburg, Denmark and Hong Kong, whose almost 100 percent of their population lives in urban area, are among the countries with the highest control of corruption score. The economies of those countries highly rely on services industry. In order to make their economy attractive, they have no option other than maintaining their economy efficient, among other through strengthening the control of corruption.

6.4 Economic Openness

The regression model shows that economic openness, calculated as the ratio between export and import and total GDP has negative coefficient and is statistically significant. This is in contradiction with my hypothesis that built on the assumption that economic openness opens the domestic market for foreign producers. In addition, economic openness may increase cross-border transaction that is prone to corruption. Perhaps the result indicates that border operations involve government officials or borders guards collecting illegal fees.

6.5 Economic Freedom

The regression model shows that economic freedom has positive coefficient and is statistically significant. This is in line with my hypothesis that built on the assumption that economic freedom reduces economic informality that is prone for corruption. Economic freedom measures the degree to which the policies and institutions of countries are

supportive of economic freedom. The key component of the economic freedom are (1)sufficient size of government (2) presence of legal structure and property right, (3) access to sound money or currency, (4) freedom to trade internationally, and (5) regulation of credit, labor and business.

A country with a high economic freedom score has adequate number of government employee to provide high quality and fair service to the public. It also has clear legal structures that make it clear which activities are illegal and the sanctions. In addition, Property rights are guaranteed so that, business players don't need to pay bribe for protection. Furthermore, business has easy access to sound money/currency which reduces the supply of illegal money. In sum, economic freedom makes starting, doing and closing business relatively easy that could reduce economic informality, a source of corruption.

6.6 Press Freedom

The relationship between press freedom and control of corruption is non-linear. The data shows that countries that have very low quality of press freedom such as Libya, Malaysia and Cuba have relatively high control of corruption score. The score gradually declines when press freedom increase and reach its lowest point when press freedom index reaches 40. Countries with press freedom index of around 40, such as Nigeria, Ghana, Moldova and Pakistan are countries with very low control of corruption score.

Beyond that point, the increase of press freedom score from 40 and beyond will increase control of corruption score. Finland, Sweden, the Netherlands are countries with the highest quality of press freedom and at the same time they have the highest control of corruption score. At a certain level, press freedom score has negative relationship with control of corruption score. This mainly due to the nature of control of corruption score, which is a perception survey based index. When press freedom does not exist, people are not aware of the presence of corruption since the media is controlled by the government; consequently, they never publish negative news about government officials including news about corruption.

A slight increase in press freedom will enable the media to expose corruption news which could negatively impact on people perception about the level of control of corruption. At the same time, the media is not strong enough to pressure the government and politician to put corruption eradication as a priority. A further increase in press freedom score makes the media strong enough to influence the political process. This could trigger serious effort by politicians and bureaucrat to eradicate corruption, a development that strengthens control of corruption level.

6.7 Country Specific Effect

The country specific factors may consist of factors that cannot be included in the model due to lack of data availability such as history, culture, economic inequality, illiteracy rate, traditional belief, geographical and geopolitical situation, political ideology and character of leader. Alternatively, these also consist of factors that cannot be quantified such as history, local culture and belief, and country geopolitics.

7. Conclusion

Curbing corruption, a lengthy, expensive and rigorous effort, became an important agenda for many countries in the world. Considering the limited resources availability in most countries – especially in developing countries – understanding of factors affecting control of corruption is crucial to eradicate corruption effectively. This paper provides useful information for the Government, anti-corruption agencies, and civic societies who have interests to mitigate corruption. Several factors effecting control of corruption, such as ethnic diversity, natural resources and urban population, are given in which the government cannot do anything to change. Instead, the government could introduce policy tools to moderate the negative impact of such factors on control of corruption. Also, the government can also introduce policy tools that work best for overcoming the difficulties, compared to other options.

Second, several factors are so important to "get right" because without them it is unlikely that corruption will ever be brought to a satisfactory level. These factors include political stability and rule of law. For these situations, policy

instruments designed to target the most important factors are recommended so that other benefits—such as economic freedom and press freedom may follow.

In a country with fractionalized ethnicity, people from a certain ethnic group may collude with the other people from the same ethnic to gain access on the national economic resources. For instance, when those people are in power, they tend to promote people from the same ethnic for government senior position. In addition, they also tend to direct the economic resources, such as awarding mining concession, for business persons from the same ethnic group. In addition, when the above pattern of collusion is formed, corruption is enabled due to the high trust among people with the same ethnic group. This may speed up the corruption process and enlarge the scale of corruption. In the long run, it could create a systemic corruption which is very difficult to mitigate. To make the situation even worse, people from competing ethnic groups tend to retaliate by doing exactly the same thing. In other words, each ethnic group becomes an enclave of corruption, and they compete with each other to gain the best corruption advantage. At the extreme, this may cause prolonged bloody ethnic conflict, a development that has additional detrimental effects apart from corruption.

As we mentioned earlier, the government cannot do anything to reduce ethnic diversity. For instance, the government cannot push the citizens to engage in intermarriage. However, the government could introduce policy to diffuse the level of conflict and mitigate the negative impacts of ethnic diversity. Among these policies, are those that promoting inter-ethnic dialog and cultural exchange. In addition, the government could introduce a strict regulation on government officers' recruitment and promotion, to make sure that promotion and recruitment processes are transparent and fair. Another possible recommendation is for the government to introduce government employees' rotation program, in which government employees are rotated from one department or section to another, in order to avoid clientelism and nepotism.

Also, in a country where natural resources drive the economy, the windfall gain from the natural resources could trigger rent seeking behavior, which is a source of corruption. On other words, competing interest focus on the access of natural resources rather than create productive economic activities since the former tend to be more lucrative and easy. As a result, people tend to neglect economic activities others than natural based economy. In the long run, the economy will be more rely on natural resources which will make the competition for access to these sources become fiercer and corruption become more prevalent.

The government could mitigate this problem by introducing a clear regulation to enable fair and transparent distribution of access to natural resources. At the same time, the government should use the money earned from the natural resources to develop non natural resources based sector – such as manufacturing, trading and retail – through tax incentives or/and reduce red-tape. This effort could reduce the economic reliance on natural resources.

Also, in a country with a high percentage (but not complete) urban population corruption tend to be more prevalent compare to a country dominated by rural population. Economic activity in a more urban population is more complex than it is in rural population. The competition for scarce economic resources is tougher, a situation that could trigger corruption. This situation may be worse for fast growing urban area since the development of infrastructure cannot catch the growing demand of infrastructure by the growing population due to urbanization. Unfortunately, the government cannot change this situation, for instance, by introducing policy to migrate urban people to the rural. However, the government could mitigate the side effect of this demographic development by introducing policy that could lower the speed of urbanization. Among the possible policies is to provide incentives to make rural area more attractive, such as through improve the education and infrastructure in rural area. This incentive could improve the living condition in rural area, a development that reduces the speed of urbanization.

In a country where political stability is uncertain, a lot of additional problems follow. Political stability is a crucial aspect of successful corruption eradication. Without the existence of political stability, the implementation of many government policies, including policy in eradicating corruption, is not effective. In addition, governments in politically unstable countries tend to focus efforts to stabilize the country, having little left for other long-term goals. Political instability is not something that the government cannot control but it is difficult to attain especially when the political instability combined with other conflict has deep roots in the society. For example, some of these conflicts have roots in religious, ethnic, or ideological conflict. Other factors, such as a long history of conflict also make the political instability more difficult to end. The government and the society can improve the situation by promoting dialog as the main means to find a solution. In addition, since most political conflict is about power

struggle, the government should implement a transparent and fair democracy that guarantee the opportunity for all parties to have access to power. If necessary, they could invite international organizations to involve in the political process, such as election, as observers or watchdogs. From improvements in political stability, policy tools to enhance economic freedom and press freedom would be better supported. In a country where Rule of Law – defined as the principle that governmental authority is legitimately exercised only in accordance with written, publicly disclosed laws adopted and enforced in accordance with established procedure – is not exist, a lot of additional problems follow. Rule of Law is another key factor needed to improve control of corruption, since it is intended to be a safeguard against arbitrary governance to protect the right of the people This shows by the relationship between controlling corruption and two key indicators of well-established rule of law, which are economic freedom and press freedom.

In this study, economic freedom and press freedom were found to be good predictors of corruption control. From this point we will present policy implications that affect each of these factors, assuming a context of political stability and Rule of Law. Corruption is about the struggle for economic resources. Countries with high degree economic freedom granted to all citizens, from many backgrounds, to do business freely. This is shown by the ease of establishing businesses and closing businesses it when the economy deems it necessary. In addition, the government also provides protection for the citizen from any illegal action that may disturb their business.

Economic freedom is characterized by (1) sufficient size of government (2) presence of legal structure and property right, (3) access to sound money or currency, (4) freedom to trade internationally, and (5) regulation of credit, labor and business. In order to preserve economic freedom, the government should pay a serious attention on the above five factors and then introduce policies that promote the five factors in support of economic freedom. In summary, the government should introduce a comprehensive regulation, implement it effectively by improving the quality of the bureaucracy and strengthen law enforcement. The lack of Economic freedom – indicated by the difficult, expensive and lengthy process of establishing formal business – could trigger the growth of economic informality. These informal businesses are prone to corruption since due to their illegal nature, they have no legal protection. This situation may trigger corruption by government officers, for instance through collecting illegal tax and selling illegal business permit. Police officers may also collect bribe in exchange of protection.

Press freedom is a key component in the implementation of rule of law. The press has a strategic role in promoting transparency and information symmetry, which enable government accountability by the citizen work effectively. As shown in the model, promoting press freedom until a certain level to enable the press to involve in the political process can strengthen control of corruption score significantly. At the same time, sufficient legal protections need to be in place for journalists so that the press can perform this function.

In order to promote press freedom, the government should introduce a sound Press Law that guarantees the freedom of speech by the press. In other words, the government should avoid criminalizing the press for the news or opinion they publish. In addition, the government should guarantee the right of all citizens to incorporate media business, by streamlining the process and reducing the cost of issuing new business license for Media Companies.

The above policy recommendation to strengthen control of corruption is not easy to realize. Among the other reason is the lack of political will from the government since promoting the above three recommendation may reduce their power and put their interest at risk. In summary, political will from the government is a starting point to realize the above policy recommendation in order to improve control of corruption.

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