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# The Dual Effects of Media on Corruption

A Cross-Country Study

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## Abstract

*This paper brings to the spotlight a topic which has been overlooked so far: the dual effects of media on corruption. Research has focused primarily on highlighting the positive effects of media in tackling corruption, although some authors have pointed out that media has also a harmful effect. The aim of this work is to reconcile these two approaches by establishing a conditioning; the level of media freedom. Conducting an OLS, the author has found that countries that have a larger degree of media freedom, the existence of more outlets, measured by the number of newspapers, decrease the level of corruption. However, when a country has low levels of free media, the result is the opposite; having more newspapers is harmful and thus it increases corruption.*

## 1. Introduction

The importance of media in contemporary societies has always been stated. The boost in literacy in the last century, along as the increase of civil rights, purchasing power, the technological evolution and the reduction of costs related to printing and broadcasting has triggered an effect on how people get informed. This evolution has led to the development of the media as we know it today. Lately, when the causes of corruption began to be an object of study and research, it has been found that media plays a salient role on the effects of corruption. Primarily, media are regarded as watchdogs (Norris 2006), in a way that they monitor the acts of the bureaucrats and elected officials and provide us with vital information about their performances. Not only, thanks to media, we can assess their effectiveness, but we also raise concerns about their legitimacy. In democratic states, media's role, combined with accountability mechanisms, enables citizens to punish politicians if their policies are not effective or if we acknowledge their role in corrupt practices. The stronger the media is, the smaller is the window of opportunity for the politicians to be embedded in corruption (Treisman 2000).

Research has focused so far on the positive effects of media on corruption (Brunetti & Weder 2003, Freille et al 2005...) on the one hand, and few scholars on the other hand have tried to point out the harmful effects of free media on corruption and other aspects (Mullainathan & Shleifer 2005, Vaydia 2005...). Other authors have highlighted several issues that have an impact on the relationship between media and corruption, such as education (Ahrend 2002), democracy (Chowdhury 2004), publicity (Lindstedt & Naurin 2010) and different levels of accountability (Camaj 2012). They have found that the relationship between the two aforementioned variables substantially vary depending on the strength/development of their conditional variable.

But does media have only positive effects? Recently Transparency International released their 2013 Global Corruption Barometer displaying that up to 41% of Spaniards respondents believe that the media is corrupt or extremely corrupt (Transparency International 2013). Therefore, Spaniards do not believe in the independence of the media, they consider it biased towards the two largest political parties, the conservative PP and the socialist PSOE, other institutions such as the Church or extremely interlinked with the economical power, such as the large companies or corporate tycoons. The society feels that media has lost its sacred independence and now respond only to economic and ideological clientelism (Cala

2013). Other countries where there is widespread perception of corruption within media according to the Transparency International Corruption Barometer are Egypt (80%), DRC (65%), Lebanon (65%), Greece (86%), Russia (59%), Sudan (68%) or Serbia (72%).

Until now research has overlooked the dual effects of media in the sense in which are captured in this thesis. The existing literature has predominantly leaned towards the positive effects of media, although a minority of scholars have found opposite results. The aim of this paper is to test this positive-negative duality based on number of outlets (more precisely, quantity of newspapers) which is expected to be utterly dissimilar based on the levels of free media, and reconcile the two opposite approaches by displaying in which circumstances (levels of free media, as noted) the effects turn from positive to negative and vice versa. When free media is high, having more outlets (newspapers) increases the positive effect of media tackling corruption (positive media), whereas when the level of media freedom is low, having more outlets produce the opposite effect, that is, increasing the negative effect of media in curbing corruption. Therefore having more newspapers, which should be positive, as it prevents capture by the State (Djankov et al 2003, Besley & Prat 2006), reflects a larger plurality of ideas, although then the question of bias arises (see for example Mullainathan & Shleifer 2005, Baron 2006) and it reaches a larger public, only is desirable when a country's level of media freedom is high. When a country does not have high levels of free media, media plurality has a negative impacts, in which case then a country should restraint the number of outlets available and have fewer number of newspapers.

Drawing from the existing literature, three theoretical hypotheses that will contribute to debate, in particular, a dual effect theory, are to be tested in this paper. Firstly, whether freedom of press has a positive effect on corruption, as the majority of scholars have displayed. Secondly, testing whether a high level of media freedom enhances the positive effects of media plurality captured by the quantity of newspapers on corruption, and finally whether a low level of free media, as expected, harms the effects of media plurality on corruption, turning it negative, thus increasing the levels of corruption in a country.

The paper is organized as follows: Firstly, an introduction on the current research on corruption is described, following the explanation of the beneficial effects of media on corruption and the harmful effects of media on corruption. Secondly, based on the existing literature, the hypotheses are drawn and the author's theoretical approach is described, pointing out the gap in the current research, the aim of the paper and the possible explanations of the expected results. Thirdly, the methodology is depicted, as well as the variables to be used in the analysis. Fourthly, the results are presented and discussed. The last section concludes.

## 2. Explanations of Corruption

Corruption is usually understood as the misuse of public office for private gain (Bardhan 1997). This definition is open to a large variety of interpretations, such as obtaining benefits for a specific group (political party, private organization, NGO), offering/accepting a bribe to ensure that a particular service is provided, when the aforementioned service should be provided for free, it is illegal in its nature and should not be supplied at any cost or speed up the whole process (i.e. escalate positions in a queue for a organ transplant, registering a company...). Nonetheless, corruption is open to other situations, such as embezzlement, mismanagement of funds, influence peddling, electoral fraud and tax evasion, just to mention few significant examples. Bardhan (1997) himself suggests the when a country suffers rigid bureaucracy, bribing could accelerate the decision making. However, corruption is widely seen as the cancer of the modern societies, and countless articles have warned of the negative effects of corruption. The explanation of corruption exposed in this section is divided into two large groups: The non-media factors on corruption (that is, aspects that have effects on corruption unrelated to media) and the positive and negative effects of media on corruption (that is, freedom of media, circulation, ownership, competition and bias, among others). Up till now, a large majority of the research has explored the positive effects of media on corruption reduction. Nevertheless, some scholars have warned about the fact that media can surely have negative impacts on corruption reduction. The debate, although somehow neglected, is still present today. One of the goals of this paper is to shed some light into this tangled discussion and try to reconcile both positions.

### 2.1 Prevailing Factors on Corruption

Following Pellegrini & Gerlagh (2008) distinction between historical and contemporary roots of corruption, the former theories claim that the countries' history play a major role in the corruption levels in contemporary societies. Religious factors seem to play an integral part in this intricate equation. Some religions are perceived of being more prone to corruption issues than others, and vice versa, as some researchers have found out. Particularly robust is the case of Protestantism. Researchers have found that Protestant countries, controlling for other influential factors, tend to have lower levels of perceived corruption (La Porta et al 1999, Treisman 2000, Sandholtz & Koetze 2000, Paldam 2001), but also that other religions, particularly Islam and Catholic and Orthodox Christianity, increase the perception (Paldam 2001). This may have to do with greater tolerance for dissent in Protestant societies — or, by contrast, a more intense and unforgiving moralism. It may also reflect an institutional fact — that Protestant churches often developed in counterpoint rather than in fusion with the state and may thus have stimulated a more autonomous civil society (Treisman 2000:439).

Ethnically fractionalized countries tend to be more corrupt (Mauro 1995, Alesina et al 2003) due to the multiple ethno-linguistic division that might create a greater likelihood for conflict, clientelism based on ethnic group (more likely in Africa, where ethnic distinction plays a salient role) and rent seeking behavior, which makes governing extremely hard (Charron 2009, Pellegrini & Gerlagh 2008). Clientelism, either due to ethnic, linguistic, religious or other motives, will undermine the country's effectiveness by placing well connected individuals within the political and/or economical network in

key positions (Kurer 1993), constraining thus the likelihood of the state to thrive, politically and economically. New and less developed democracies particularly suffer from this situation. Votes for favors or jobs are common in these countries, as the leaders are unable to commit to their pledged policies, preferring thus the easier and faster clientelistic networks (Keefer 2007, Keefer & Vlaicu 2008).

Turning our attention to the contemporary effects, the initial striking papers found that low perceived corruption highly correlated with high economic growth (Mauro 1995, La Porta et al. 1999, Treisman 2000), blaming corruption for the countries' low level of economical development. However, deeper research has displayed that economic development it is not the only reason for the persistence of corruption. Another widely studied aspect is the question of trade openness effects on corruption. Ades & Di Tella (1999) found that where local or national firms are sheltered by protective trade barriers and ineffective anti-trust regulations, foreign companies will have difficulties to penetrate in a country's market, hence competition will be low and lead to corrupt practices. Similarly, in their study, Sandholtz & Koetze (2000) found the integration in the world's economy should have a greater impact, both on business and the administrative culture of the country and Bonaglia et al (2001) that trade openness reduces corruption through three different mechanisms: trade restrictions are lowered, openness entails foreign competition and therefore more investors and interested in the country. Therefore, although some authors have not found significant relevance of trade openness (Treisman 2000), it is widely accepted that having a liberal trade system with other countries, enabling foreign competition, tackles corruption and rent seeking. In addition, some authors, such as Charron (2009), claim that, while trade openness has been proved as a reliable mechanism to curb corruption, social and political integration, coupled with free media, play a significant role in fighting corruption as well.

Another important finding that research has found is that having natural primary resources is also highly correlated with high levels of corruption. Researchers have argued that having natural resources is actually a curse, since the extraction and trade of the primary resources crowd-out other sectors, such as manufacturing. People find it more rewarding to work on the extraction of these resources than working on other sectors of the economy, where the growth is substantially lower. This leads to a decline in the other sectors (manufacturing, or even entrepreneurship and innovation); leaving the entire country depending only in the extraction of natural resources (Sachs & Werner 2001), although history has proved that they are awfully volatile. This leads to the problems of rent-seeking behavior and it becomes a gold mine for corrupt opportunities (Ades & Di Tella 1999, Leite & Weidmann 1999, Barbier 2003).

So perhaps we can control the corruption levels of a country when their leaders are accountable for their actions? It is said that democracy curbs corruption, but research on that topic has prove it that corruption does not decrease by establishing a democratic system per se. Bäck & Hadenius (2008) argue that the relationship between democracy and corruption resembles a J due to the fact that the effects of democracy are negative at low levels of democracy, non-existent at median levels and strongly positive at high democratic levels (1:2008). Using the Administrative Capacity as a variable, they argue that the quality is good in authoritarian states, it substantially decreases in "bad quality" democracies and it peaks when the country is a "good quality democracy". They also argue that the reason the system works in the authoritarian countries is due to their firm and hierarchical grip from above, whereas in old established democracies is from below,

when the institutions function well. Other studies have reached the same conclusion, but in the shape of an U (Montinola & Jackman 2002) or an S (Sung 2004) instead, whereas other claim that what matters is in fact the “democratic years of exposure”, meaning that new democracies will always underperform compared to old established democracies (Keefer 2007, Treisman 2000) Others have found that the relationship between democracy and corruption is conditioned by the level of economical development, meaning that when economical development is low, democracies underperform dictatorships. However, when economical growth begins to increase, democracy ends up performing highly better (Charron & Lapuente 2010).

The democratic impact on corruption is fostered when we include gender into the equation. There is compelling evidence that women are less selfish than men, and when women are highly embedded in public life, corruption is less likely to happen. It has been tested that countries which have greater representation of women in their governments and parliaments have lower levels of corruption (Swamy et al 2000, Dollar et al 2001). Nonetheless, this statement has been challenged with the argument that the relation between gender and corruption is spurious and it is caused by the liberal democracy, which promotes and enables gender equality and better governance (Sung 2003).

## 2.2 Existing Literature on Positive Effects of Media on Corruption

Media acts as an information transmitter body, as citizens will always be updated with the latest political issues, thus they will be able to judge those issues, enabling them to modify their political decisions. If governments perform adequately, citizens will renew their confidence in them for another term. If they do not, citizens will use their power to punish them by ousting them out of office. If more informed voters receive favorable policies, then mass media should influence policy because it provides most of the information that people use when they have to vote, but when the less access to media, the lower the share of informed voters and thus a higher likelihood a government will be involved in corrupt practices (Strömberg 2001). Furthermore, exposure to media leads to greater political knowledge (Delli Carpini & Keeter 1989, Snyder & Strömberg 2010) and higher voter turnout (Snyder & Strömberg 2010). Nonetheless, the setback lies in areas where newspaper penetration is low, hence becoming isolated. This areas might be neglected by the politicians (for example, rural areas in less developed countries), whose lack of media access could reduce the availability and efficiency of public services (Keefer & Khemani 2005). Mentioned a bit below, Reinika & Svensson’s (2005) study is a great example on how to fight this and reverse the situation.

Bottom line, media coverage increases voter information, leading to politicians being more controlled by the electors, hence better policies and higher risks of corrupt exposure and higher accountability.

Now focusing on the effects of media and corruption, media has been tipped as the main control mechanism to curb corruption. Corruption is likely to flourish when the costs of being caught and punished are lower than the benefits of extraction rents via bribes, embezzlement or other methods (Treisman 2000) but as soon as accountability mechanisms and controls are implemented, the likelihood of bribery extraction substantially decreases, as it has the potential to restrain extortive corruption (government officials that might refuse or delay a service with the purpose of extracting

a bribe) and collusive corruption (when both stakeholders have a mutual benefit in the practice of corruption, such as tax evasion) (Brunetti & Weder 2003) but also raises public awareness, either due to tangible effects (independent journalism prompting official bodies to launch an investigation) and non-tangible effects (independent journalism can indirectly check corruption scandals by presenting them to the public debate) (Stapenhurst 2000), although the media's major and widely known role is to monitor the actions of incumbents to use this information in their voting decisions. This can lead to government which is more accountable and responsive to its citizens' needs (Beasley et al 2002). With regards of accountability, Camaj (2013) looked upon several measures of it: vertical and horizontal accountability. Her findings reveal that free media remain vital even when controlling for these two kinds of accountability processes, particularly countries with strong parliaments and an independent judicial system (see also Stapenhurst 2000). However, contrary to predictions, political competitiveness increases the levels of corruption, but she argues the cause might be due to the fact that "more political competitiveness increases the number of parties in the governing structures this increasing the number of people with whom the corruptive actions occur (2013:36).

The "principal-agent" theory, commonly used both by political scientists and economists, has been also used to explain the relationship between media and governments/bureaucrats: the politicians and bureaucrats take the role of the agents and the citizens take the role of the principal. The issue lies on the fact that there is an asymmetrical information model between these two actors (Beasley et al 2002), and since the agents are either elected by the citizens (politicians) or they work for them (civil servants), the principals have the right to demand information to judge their effectiveness and good practices. This information might as well be wrong or imperfect as a measure to deceive the principals. It is then when the existence of the press becomes indispensable. Nonetheless, according to some scholars, when press freedom is low, the effects of higher education not only will not curb corruption, but will amplify its harmful effects, leading to elevated corruption. Yet, when the monitoring agency functions accurately (i.e. Media is free) the impact of education boots the efficiency of the aforementioned agencies, fulfilling its role in curbing corruption (Ahrend 2002). Likewise, in areas with no or barely press freedom, the impact of printed newspapers is very small, although radio has a more powerful effect (Francken et al 2005) while other authors highlight the fact that democratic states can, through voting, express their approval or disapproval of their politicians, and these, in order to get reelected, need to reduce corruption (Chowdhury 2004). Other articles, including the up to date the most nuanced study on the effects of press freedom and corruption by Brunetti & Weder (2003), and an in-depth study on Freedom of Press' disaggregated data (political influences, economical influences and laws and regulations) by Freille et al (2007) have found significant results between the two aforementioned variables, but surprisingly one article failed to find any significance (Lederman et al 2005).

However, some authors argue that making the information available will just not solve the problem. In a nuanced study, Lindstedt & Naurin, also using the "principal-agent" theory, (2010) argue that transparency without accountability and publicity is useless. But even when these conditions are met, the information must have a chance to reach the population, and on top of that, this information should be clear and concise to be comprehended by the citizens. This is what they call "Publicity". "Accountability" is when, once the citizens have received, processed and analyzed the information, they



must possess mechanisms or procedures to punish the corrupt governments, which in general is through free elections, although it might also be through judicial resolutions. Therefore, the role of the media is highlighted as the salient watchdog and “middle actor” between the principal and the agent, as the risk of being exposed and hence getting caught increased when the “watchdogs” are able to provide sensitive and impartial information to the citizens (Norris 2006). Needless to say, in order to conduct this role, media must be free. Nonetheless, there are two drawbacks within the “principal-agent” theory applied to media are that the agents (the politicians) have to guess what the voters want, which, even when lobbying is permitted, complicates the principals’ tasks and secondly there is a multiplicity of principals, meaning the we could easily find principals’ with opposed demands, pulling the agents’ actions towards different directions (Beasley et al 2002).

Another positive effect of media is the competition between the outlets. In other words, the existence of plurality (quantity) in media reduces the level of perceived corruption. The more plurality the media system of a particular country enjoys, the less media capture is likely to occur, as this plurality will hinder any capture likelihood (Besley & Prat 2006). When the media is captured, the political outcomes are affected negatively, due to the fact that bad politicians are more likely to engage in rent extraction, but at the same time they are less likely to be identified and thus replaced, leading to political dissatisfaction and consequently lower turnout (Besley & Prat 2006). The higher degree of media competition and press freedom induces government to control corruption harshly. Then, rent extraction becomes more difficult and the risk of getting caught substantially increases (Suphachalasai 2005). The latter paper also displays that media competition is economically more important than press freedom to tackle bureaucratic rent seeking. When a strong media market, particularly newspapers, that has enabled a simultaneous development of commercial media and media linked to different civil and political groups is coupled with long established democratic values and liberal institutions, formed by the cohesion of the aforementioned groups, the effects of media substantially increase, like in the Scandinavian countries, which are also characterized by having high levels of newspaper readership, hence enhancing their political information (Hallin & Mancini 2004). These authors call this system the “Democratic Corporatist Model”. But then in which environments is media capture more likely? Usually in less developed, non-democratic states, although it can also occur in developed democratic states, in a more subtle manner. Other policy decisions that affect media are through the regulation or entry, private barriers for private media companies, regulations that benefit the owner of a particular outlet or anti-defamation laws (Beasley et al 2002).

The issues of freedom of media and media competition have already been explored, but there is another aspect of media that foster responsiveness and accountability and thus tackles corruption; the circulation and availability of media. Two examples of this are Reinika & Svensson (2005), Besley & Burguess (2002). They found large positive effects of media and the decrease of corruption on the one hand, and government responsiveness. The former tested a newspaper campaign information in Uganda, aimed at reduce public funds capture. The goal of such campaign was to provide schools information on how to supervise local officer’s handling of the funds. The campaign was exceptionally successful, as not only corruption was tackled, but it also led to a sizeable boost on school enrolment, whereas the latter tested the responsiveness of the regional governments on calamity relief in India. The authors

argue that having more informed and politically active electorate reinforce the role of the governments to be responsive, and when newspaper circulation and electoral accountability are higher, governments are more responsive. Likewise, other authors have stated that where the working infrastructure is prominent, the monitoring (circulation of newspapers) works and supports accountability, the countries are apt to decentralize their political and economical structure without amplifying the negative effects of corruption, whereas it is not recommended if the quality of the infrastructure is low, hence the newspapers cannot reach every single part of the country, undermining the monitoring process (Lessman & Markwardt 2010).

### 2.3 Existing Literature on Negative Effects of Media on Corruption

The issue of ownership has been widely discussed, and the results always point at the same direction. Media (both printed and broadcasted) can be either private or public, but what is the desirable situation? Should media be a private good, preventing any distortion and manipulation from the Government? In their study, Djankov et al (2003) analyze this issue, collecting data for both printed (newspaper) and broadcast (television) from 97 countries and the results they reached display that countries with more state ownership the media have on overall less freedom, there are fewer political rights, worse governance, inferior outcomes both in health and education. Moreover, these States tend to be poorer and have more autocratic regimes. Therefore, they were not able to find any perks of having a higher degree of State media ownership. They also state that when private, media uses to fall under large shareholders families hands. Following the impressions of Djankov et al on ownership, Besley & Prat (2006) found that, studying the impact of media ownership and political turnover, in societies with more press freedom their leaders/politicians tend to occupy the presidency or the prime minister position for a shorter period of time (when a country controls at least 30% of the press, the incumbent holds its position 7,21 years more), allowing thus a political renovation, hindering any likelihood of embedding in corrupt practices, although privatization might not always become the most suitable solution, as the business elites may close ties with the political (and also economical) elites (Stapenhurst 2000), creating thus the large media conglomerates whose influence it is sometimes beyond limits. These private large stakeholders might actually enhance media capture, privately, in this case, than when it is more diffuse and allows competition (Corneo 2006). This is particularly delicate in less developed countries, although Europe has examples of its own.

But even when the State media ownership is relatively small compared to the total available outlets of a country, this private quantity of outlets can hinder the positive effects of media tackling corruption. As they control this powerful “decision-making process”, they influence our election choices. And they may have different purposes for exercising this power. One of them is bias.

Media can be biased as a result of the owners’ ideological preferences due to intrinsic political views or some kind of long-term relationship with the political actors, leading to capture (Prat & Strömberg 2011), or it might be due to journalist biased perception of an issue (Baron 2006). Nonetheless, the situation could be as well reversed when the force who produces this bias is not the owners or the journalists, but the citizens themselves. In this side, media organizations are assumed to be rational, hence trying to

maximize their profits. As rational entity, they would adapt their role to become more appealing to the public, meaning they would distort the information, providing exactly what the demanders desire, in order to maximize their benefits (Mullainathan & Shleifer 2005, Prat & Strömberg 2011). Mullainathan & Shleifer (2005) argue that since the readers prefer to read news shaped in a way that fit into their ideology, media competition would not lead to better quality and accurate information due to pressure and rivalry with other media outlets as some authors claim (Besley & Burgess 2002, Djankov et al 2003, Strömberg 2001, Suphachalasai 2005), but rather to an augment in biased news (with the purpose of avoiding price competition), thus making media much less informative. Nonetheless, they state that this situation could be tackled when the reader has access (and uses it) to all news sources, as after reading different biased perspectives, the reader will build his own rational perspective. Then, according to Mullainathan & Shleifer (2005), reader heterogeneity is more important (and more accurate) than media competition.

But even when these preconditions are fulfilled, citizen's perceptions might still be biased. In a study about corruption perception and partisan bias, Anduiza et al (forthcoming in 2014) argue that the same offense is judged differently depending on the political party whose politician committed the offense, whether it is the respondent's party, the opposite party or unknown party affiliation, meaning that corrupt politicians not only are not harshly punished, but they are reelected on the following elections. Partisans are more tolerant to corruption scandals when they affect their own party than when they affect their rival party, in particular when political knowledge is low. Partisans do not consider it important compared to other political issue, and finally, related to the question of media, because they do not give credibility to the information, as they think these maneuvers only pretend to sink and downsize the trustworthiness of a political party. This is particularly severe in politically polarized systems. However, the authors do not mention the role of media in these situations. If a country is polarized, the media will also be polarized, as the main watchdogs/transmitters of information will also become embedded with the political pluralism, especially on the adequate conditions and thus the citizens would consider that a particular media outlet would act against a particular party for the aforementioned motives. This will lead more divergent media perspectives and thus making media less informative, dampening the policy outcomes. People would be hostile to the ideologically dissimilar outlets simply because they differ from the citizens ideological preferences and would oppose them, becoming more suspicious towards the media (Arceneaux et al 2012). This situation takes place in countries where extreme political pluralism is high. A second relevant group by Hallin & Mancini in their study of the 17 western countries is the "Polarized Pluralist" system (Spain, Greece, Portugal and Italy) where media has until very recently oriented to an elite of influential citizens, in which the relationship between this elite and the media still remains as of today (strong instrumentalization between media and the political and economical power). Moreover, the outlets suffer from "external pluralism", which means the existence of a decent-large variety of media outlets but with hardly different internal points of view. This means that the market is competitive, but the outlets are stuck in an ideological motionless position, which enhances polarization and it ends up affecting the political agendas, leading to political polarization. Latin American countries also could be categorized within the same system, although usually in more extreme forms (Hallin & Papathanassopoulos 2002).

Besides bias, other reasons are flooding the citizens with either irrelevant or complex information, as well as greed. Regarding the former, Balkin (1999) argues that media can hinder transparency as well as it helps it. He claims that governments and politicians might find useful to use media to enhance transparency, although they would do it through rhetoric and manipulation. In other words, transparency ends up being opaque. This can be done either by manipulating the presentation of information, for example, through diverting attention and supplying different information to crowd out and displace the actual central political issues and by providing tons of information, so that the “reader” will find it difficult to distinguish the actual information to the useless (unfiltered) and/or by providing the required essential information, but in a such complex language that few people would be able to process and understand (this is why, citing Lindstedt & Naurin, “publicity” is a compulsory requirement). And regarding the latter, Vaidya (2005) found that despite the media being regarded as watchdogs for the public, they might prefer to use the evidence to bargain with the incumbent, thus using this power to extract rents. He also states that media can come up with scandals to boost their profits, as they acknowledge that an inflated scandal would yield them with higher popularity, higher sales and hence larger benefits. Therefore, they might find profitable to create false allegations. However, these false allegations might lead to higher perception of corruption despite the fact they are completely made up, downsizing the country’s stability and international image. Likewise, although media competition’s impact on corruption deterrence is higher than when media monopoly, even when taking into account the possibility of raising false accusations, there are also circumstances when a media monopoly would perform better, or at least, it would not underperform media competition, particularly when it intensifies the effort on justifying false allegations (Vaidya 2005b).

#### 1.4 Tentative Hypotheses

As explored in the former sections, corruption is affected by countless issues, such as the level of democracy, religion, natural resources and economic performance, among others, and the role of media on corruption is without doubt one of the most salient issues. Reviewed in the two latter sections, media affects positively on corruption by, in their role as watchdogs, enhancing accountability of the government or elected politicians, which constraints their rent-seeking behavior and oblige them to fully perform their duties as civil employees. Also, related with the previous statement, they are the “middle men” between the “agents” (governments) and the “principals” (citizens). They provide the citizens with valuable information, compensating the asymmetrical “principal-agent” model. Furthermore, on their role as watchdogs, their investigations may trigger a legal prosecution towards corrupt practices (Stapenhurst 2000). Finally, a glance into circulation and competition has displayed that the former enhances government responsiveness, reduces funds capture and increases citizens’ information, as they can access media and the latter that reduces capture by the government and enables plurality of sources. Summing everything up, free media is a reliable and superior vehicle to curb corruption. This section presents the arguments, drawn from the existing literature, that shape the tentative hypotheses.

The goal of this paper is to test empirically the effects of media on corruption. Taking into account the existing literature, a beneficial role of media cannot be taken for granted, which might challenge the current state of “media is good to tackle corruption”. Firstly, because as research has shown, media encompasses countless issues and it is complicated to achieve results by only looking at the “qualitative” side of media, meaning whether media is free or not. Nonetheless, the results obtained by several scholars are important and shed some light upon a vital factor when studying the causes of corruption. Brunetti & Weder (2003) is one of the most relevant papers on the matter, and they indeed found, on a cross-country and a panel data study, the positive effects of media freedom to tackle corruption. Likewise, paired with education (Ahrend 2000) and democracy (Chowdhury 2004), the impact increases. Other papers (Treisman 2000, Freille et al 2007, Camaj 2012) also found positive results. However, there is a paper that failed to obtain significant results (Lerderman et al 2005).

Consequently, the first hypothesis is to test the aforementioned statement of “free media reduces corruption” with the latest data available, although it is suspected that there will not be much change between the results and the literature, and using different control variables, exposed already on the Non-Media effects on Corruption. Due to overwhelming already explored results, the author expects a strong impact on media freedom on the levels of perceived corruption. That is the following hypothesis:

*H1: Countries with more media freedom will have less corruption*

Additionally, the main goal of the paper is to fill a gap that it has been largely overlooked so far, the “dual effect” theory of media on corruption. Indeed whether media is free or not plays a pivotal role and the research so far agrees, but what about the “quantitative side” of media. The effects of media here are somewhat unclear. Djankov et al 2003 found that media ownership affects corruption negatively which was also displayed by Besley & Prat (2006), as they found that when the media market is wide and numerous outlets are part of it, the likelihood of capture by the State is reduced, as this plurality increases the risk of getting caught conducting corrupt practices, hence enhancing accountability and good practices if the rulers do want to be elected again. However, according to Mullainathan & Shleifer (2005), media organizations are assumed to be rational, hence trying to maximize their profits. As rational entities, they would adapt their role to become more appealing to the public, meaning they would distort the information, providing exactly what the demanders desire, in order to maximize their benefits, especially if they also have partisan bias (Anduiza et al 2014). Therefore, they will only believe what the media outlet with closer ideology states. While this might be true, the authors have presumed that media is free. To make things clear, free media does not only apply to the lack of censorship by the government, but also to the existing laws and regulations protecting media and the ability of journalists’ to operate freely and without harassment, the penalties for defamation, transparency and costs of establishing a new media outlet...

Therefore, here lies the goal of this paper, which highlights the current gap on the literature. The author agrees with Mullainathan & Shleifer (2005) in their claims of media accommodating to the demands of their customers, but the effect substantially differs on the country. When a country enjoys a small extent of free media, a higher number of newspapers will lead to negative results. The authors argue that media bias produces bad outcomes and media outlets are not eager to give up their biased

perspectives because, as rational actors, they adapt the content of their newspapers adequately to the people with the purpose of maximizing benefits. They claim that the only way to solve this knotty situation is by extending the reading material, meaning reading all newspapers available. Then, the person would manage to isolate the effect of bias, producing his/her own opinion. Therefore, reader heterogeneity would solve the problem. But reading all available outlets is an unrealistic solution because, although ideal, nobody has the time, patience and/or resources to read all newspapers to diminish the media bias perception. Unless a person is completely dedicated on reading every single newspaper available, citizens will read a single outlet or perhaps two. Furthermore, although enlightening, they do not take into account another vital concept: partisan bias. If the country suffers from partisan bias, citizens will regard all media outlets located far from their ideology as noise and unreliable information (Arceneaux et al 2012). This situation is particularly punitive in countries where a polarized political system exists. In their study, Hallin & Mancini (2004) found that the Southern European countries suffer from a polarized political system that it is reflected in their media system (Anduiza's et al 2014 study was conducted in Spain), and that leads to a strong competitive market where unfortunately media is stuck in a particular ideological position and thus influences and enhances the polarization of the system. Hallin & Papathanassopoulos (2002) found similar results in their study on media systems in Latin America (which, according to them, should not be at shocking, as not only they share the language – Portuguese, Spanish- but also a history in public administration). Nevertheless, Hallin & Mancini's (2004) study is focused only in European countries and in a comparative way, and despite similarities with other countries, extrapolating the result to other countries would undermine reliability as it would disregard some vital characteristics of these countries.

It is plausible to expect that leaders of countries with low free media might want to display that they actually do support media plurality by enabling other outlets to operate as disguise, but failed to be conceived as such. Therefore, their attempt to simulate free media would end up being a failure, as the citizens, businesspeople... would react negatively, downswing the positive effects of media on corruption. Albeit, even if citizens do not oversee the situation, the international community might negatively react upon it. That might lead to worse indicators that would undermine trade, investment etc... After all, corruption is not only perceived within a determined country's borders, but worldwide. It could also be that the media outlets are tangled with the economical or political powers (Freille et al 2007 found that, disaggregating the Freedom of the Press index, only the Economical and the Political influences did have an impact on corruption). As stated by Stapenhurst (2000) and Comeo (2006), media might be controlled by few stakeholders, particularly large companies, whose interests are interlinked with the ones who hold the executive power, using their influence on the rulers to produce strict rules to hinder the creation of new independent outlets. Therefore, plurality might exist in a particular country, but it would be controlled by an oligopoly, hindering the positive effects of media. If media is controlled or owned by few large stakeholders or other actors with political power or political links, they most likely use their power to dictate the headlines of their newspapers according to their values, becoming then not a source of information or a watchdog, but a propagandistic mean for their own benefits or for the ones who hold the power. Stapenhurst exposes two examples of Russia and Tanzania. Nonetheless, although enlightening, his paper only provides some case examples and Comeo uses a mathematical model in his analysis.

The last expected mechanism is that leaders in countries particularly exposed to weak democratic traditions, democratic instability, weak administrative apparatus or low economic performance (Bäck & Hadenius 2005, Charron & Lapuente 2009) might find useful to use media through rhetoric and manipulation, either by diverting the attention or providing irrelevant information (Balkin 1999). As the levels of media freedom will be low, the citizens would not be (or hardly) aware that media is being used for the politicians' benefits instead of fulfilling their role as watchdogs, particularly if accountability is not ensured. Or perhaps they do supply of the information, but unless it is easily and clearly explained for the citizens, they will not be able to comprehend the received information. This is perfectly explained in Lindstedt & Naurin (2010). The information might be public or it might not be. Depending on how the "publicity" mechanism is applied, they might end up producing the same outcomes. Obviously, if there is no transparency, governments, elected officials and bureaucrats most likely will be embedded in corrupt practices, relying in the opaque system that will protect them of being caught. However, even when there is transparency, if this transparency does not clearly reach the citizens, the agents will be in a similar situation if there was no transparency, engaging again in corrupt practices. Therefore, media plays a salient role in correcting this loophole. If media is not free, more newspapers would not improve this issue. Government officials will use the newspapers to distort the reality for their own benefits, hiding vital information but at the same time appearing to their citizens as a transparent administration. They will provide irrelevant information, which would in turn flood the citizens with utterly insignificant information, distracting them from the real problems, and supplementing new realities that crowd out and eventually displace other political and relevant issues (Balkin 1999).

Taking all these potential theoretical mechanisms into account, the second hypothesis is as follows:

*H2: When free media is low, media plurality has a negative effect on corruption*

However, the positive effect of having a higher number of newspapers is to be expected when the country enjoys a large degree of freedom of media, displaying the aforementioned dual effect of media on corruption. As the degree of media freedom improves, media's role as watchdogs will be enhanced as well, as competition (i.e. more number of newspapers) will try to increase their benefits, hence providing their customers with news, particularly about corruption scandals. Thus customers not only buy the newspapers, but will consider them reliable in their role of watchdogs of the system. Competition will encourage the newspapers to do in-depth research about corruption, since another outlet could as well uncover a breaking-corruption scandal. Suphachalasai (2005) conducted a theoretical mathematical model and found that free media coupled with media competition decreases corruption. This paper challenges his results firstly by conducting an empirical model instead, taking into account other variables that he did not add in his theoretical model and by arguing that when media freedom is low, the result turns out to be the exact opposite, something he does not reference in his paper. Nonetheless, at the same time this paper aims at partially corroborating his claim, but stating the media competition's results are positive when free media is high. Another of Hallin & Mancini's (2004) models is the Democratic Corporatist, in which the Scandinavian countries are the perfect examples. Liberal institutions and the democratic values are long established and the media market

becomes embedded with these traditions. The result is a country where media plurality and readership is high, despite some outlets being considerably biased.

Drawing upon the existing literature on media freedom, and presuming that the first hypothesis will turn positive, as expected, journalists and media outlets in countries with higher freedom of press will enjoy further liberty to proceed with their tasks as watchdogs, therefore achieving greater results and putting under pressure possible officials (Stapenhurst 2000), who at the same time, due to this media freedom, could be threaten by the media's discoveries. Thus, the likelihood of being caught raises, becoming much more difficult to illegally extract rents (particularly if we take into account the likelihood of being ousted out of office if the information goes public). Media competition would simply put more pressure on these elected officials. Having said that, the author strongly disagrees with the theoretical model constructed by Vaidya (2005), in which he claims that media, as a rational actor that only seeks to increase its profits, would be tempted to blackmail the public officials in order not to disclose delicate information. While this could be true in countries with low free media, it is unlikely to succeed in high free media countries, as unless the government pays a bribe to all media outlets (Besley & Prat 2006), it is uncertain that one outlet would be able to engage in blackmailing the government, completely unnoticed by other outlets who could divulge this situation, thus exposing the "rogue" outlet.

Returning to the already explained "principal-agent" theory, the media plays the role of the "mediator" between the agents and the principals (Lindstedt & Naurin 2010). Its task it is to inform the citizens with the agents' procedures and results, which the latter might be tempted to hide (asymmetrical information). In order to for them to perform adequately, media must be free a have certain level of plurality, otherwise this lack of existing mediators may hinder transparency (Lindstedt & Naurin 2010), leading to more corruption. When media is free, and coupled with plurality (i.e. number of newspapers), the positive effect on corruption is magnified. The existence of several sources of information available will not only either directly or indirectly smoothly encourage governments to enhance their transparency laws and mechanisms, but also media will act as "controllers" of the quality of information provided by the governments. If the governments try to deceive and provide wrong, biased or incomplete information, the outlets will be aware and will acknowledge this make this deceitful information public, so citizens will know that the government is trying to hide vital information. The more number of newspapers, the more likely they will realize whether the government is being honest or deceitful.

The third and final hypothesis is thus as follows:

*H3: When free media is high, media plurality has a positive effect on corruption*

Bottom line, the existing literature has predominantly leaned towards the positive effects of media as watchdogs, but a minority of scholars has warned about the hazardous effects of media. The aim of this paper is thus to try to reconcile these two major approaches by showing in which circumstances media has positive effects on corruption, such as enhancing control of the governments and elected officials and in which others media as a negative effect, such as covering corrupt scandals or creating diversions to distort reality. Indeed the positive and negative results discovered have expanded the knowledge in the matter. However, the main drawback of the



aforementioned papers is that they tend to consider the quality of media as something equal in every country or they create some models to explain their purposes. While enlightening, those papers fail to emphasize this essential characteristic, therefore it becomes somewhat unreliable to extrapolate their results worldwide. This paper wants to show that the aforementioned papers were right, but at the same time they were also wrong, due to this lack of information. As stated by the author, media plurality and competition will indeed have positive results (see for example Strömberg 2001, Besley & Burgess 2002, Djankov et al 2003, Suphachalasai 2005 and Besley & Prat 2006) but only when media enjoys a large extent of freedom and independence, whereas media plurality will have negative effects (see for example Balkin 1999, Mullainathan & Shleifer and Vaydia 2005). Furthermore, while the positive effects of media on corruption have been explored (even if mostly in theoretical models), research has so far not investigated the negative impact of media plurality on corruption.

## **2. Data & Methods**

The method used in this paper is an OLS with one and two + an interaction term (depending on the model) independent variables, controlling for several other factors highlighted in the literature review which have in impact on corruption.

### 2.1 Dependent Variable

Measuring corruption is in its core considerably complex. To begin with, because corruption is in its nature illegal and there are not official records. Therefore, we need to rely either in corruption perception measurements or in reported experience in corruption. In this paper a corruption perception index is used.

Corruption perception measurements are the most widely used tool, despite the severe flaws, but they are commonly regarded as the most accurate measurement of corruption. The most famous indexes are the Transparency International's Corruption Perception Index, the World Bank's (World Governance Indicators) Control of Corruption and the Political Risk Services' International Country Risk Guide. Although highly correlated, the three indexes are slightly different but they are often used for robustness tests of each other.

This paper uses the WGI Control of Corruption designed by Kaufmann et al (2010), which it is a weighted database with the mean of 0 and the standard deviation of 1, the observations run from around -2,5 to 2,5 with the higher values corresponding to better corruption controls. The indicators for Control of Corruption are based on several variables from 31 diverse data sources, both capturing perceptions of grand and petty corruption by business consultancies, domestic and international business people, non-governmental organizations, survey respondents and public sector organizations worldwide. From their inception in 1996 till 2002 they released their indexes biannually, but after 2002 they started producing them every year. In order to use the most reliable but updated information possible on corruption, the paper employs the data from the year 2011.

Choosing an adequate measurement of the dependent variable was problematic, but the author finally decided upon the WGI because its broadness; the World Bank team includes all countries when there is at least one component rating available, enhancing

country coverage. The fact that both the CPI index and the ICRG index are among the sources used to produce the WGI indicator played a major role, as their outputs are taken into account, summing it up with other sources.

Finally, there were two drawbacks with the other two measurements. Firstly, as I wanted to use the latest data available, the ICRG was out of my reach since it is not a free database, and due to economical constraints, the latest index available for free is from 2002, available through the Quality of Government Database (Teorell et al 2011), besides the fact that the aforementioned indicator tends to overemphasize the business perceptions on corruption, and disregards other vital aspects such as the grassroots perceptions', and secondly, the latest CPI index has been modified from the previous years and in a hypothetical panel data the results would be utterly different due to the measurement. Although a time series cross-sectional research is unlikely at the time being, using the WGI leaves an open door for a future research in the matter.

## 2.2 Independent Variables

The primary focus of this paper is to analyze the effects of media in corruption. But as stated in the former section, media is portrayed in two different ways. On the one hand, media is analyzed according to its freedom, and on the other hand, it is analyzed according to the countries' media plurality, in other words, the number of the newspaper outlets.

The former variable is measured by Freedom of the Media by Freedom House, a think tank that is known for elaborating indexes on political rights and civil liberties. The Freedom of the Media index was firstly constructed in 1996, and they have been publishing it yearly since then and now is regarded as one of the major indexes of media freedom worldwide, widely used between researchers (see for instance Ahrend 2002, Brunetti & Weder 2003, Chowdhury 2004, Lindstedt & Naurin 2010 and Camaj 2012) and civil society organizations to raise awareness of the status of one of the most indispensable rights in the world. The index is constructed upon three different dimensions of press freedom: the Legal Environment, which encompasses both laws and regulations that could influence media content and the government's inclination to use these laws and institutions to restrict the media's ability to operate, such as penalties for defamation, the ability of the journalists' to operate freely etc; the Political Environment, where the degree of political control over the media content is evaluated, such as the censorship status, the media diversity in a country and the ability of journalists to proceed with their work without harassment etc; and finally the Economic Environment, which includes transparency and concentration, costs of establishing a new media outlet and distribution etc. The Freedom of Press index is rated from 0 to 100, being 0 maximum level of press freedom and 100 being maximum violation of press freedom. Despite being a continuous variable, Freedom House also divide the countries into three large groups: when the country's media freedom ranges from 0-33, their media is regarded as Very Free (we find among these members most of the OECD countries), from 34-66 they are Partially Free and finally from 67-100 they are Not Free. (Freedom House 2012). In order to avoid confusion, the author has reversed the index prior the regressions, meaning that 0 has become Not Free and 100 has become very Free. In order to display the most accurate and updated results, the data used is from 2012.

The indicator for quantity of media outlets was taken from the UNESCO statistics database, and the indicator “Number of daily titles per 1 million inhabitants” is used as a proxy. The calculation is easy, they measure the number of newspaper outlets available in each country, although they establish certain conditions: indeed they focus on daily newspapers; publications intended for the general public and mainly designed to be a primary source of written information on current events connected with public affairs, international questions, politics, etc, reporting events that have occurred in the 24-hour period before going to press (UNESCO Institute for Statistics 2012). Like in the other main independent and the dependent variable, the latest update was employed, which in this indicator was 2004. However, when no data from 2004 was available, data from the previous year was employed, and if there was unavailability, the previous year and so on. Nonetheless, data from most of the countries is drawn upon the years 2004, 2003 and 2002.

Why is “Number of Newspapers” used to measure Media Plurality/Competition? Firstly, the broadcasting media has been disregarded due to several reasons: One reason is the pay-per-view channels, which are difficult to capture, and then to consider whether they should be included or not, and the second reason, and perhaps the most essential, is that the costs of broadcasting remain, as of today, significantly high for some countries, particularly less developed countries. Secondly, although radio stations could have used, the author has preferred using the oldest media outlet, newspapers. Moreover, the required infrastructure for radio stations is more complex and expensive than for newspapers.

The author has decided to establish a population threshold with the purpose of disregarding the observations of cases which would have slightly jeopardized the outcome of the research (some of these islands are unusual cases regarding newspapers titles per 1 million inhabitants. They always appear among the countries with more plurality, simply because they have two or three outlets for less than 70.000 inhabitants). Those countries are basically little islands from the Caribbean and the Pacific. Therefore, the population threshold established was countries with more than 300.000 inhabitants. Population thresholds have already been implemented in other research papers focusing on corruption (see for example Pellegrini & Gerlagh 2008).

### 2.3 Control Variables

The control variables employed in this paper are drawn upon the presented literature used by other researchers. The selection of the variables and the measurements used remain my own.

A log of the 2011 GDP/per capita, calculated by the World Bank is used in the regressions. Due to the importance of GDP, this variable will be employed in all models. As the academic world has showed (Mauro 1995, La Porta et al. 1999, Treisman 2000), high accumulation of wealth is associated with low levels of perceived corruption.

Ethnic fractionalization is also used in this paper, as research (Ades & Di Tella 1999, Alesina et al. 2003) have shown that countries with higher levels of ethnic fractionalization are more prone to corrupt practices to benefit the members of their own

ethnic group or community, engage in rent-seeking (Pellegrini & Gerlagh 2008) and developing a clientelistic network (Kurer 1993) that undermine efficiency and increase corruption, compared to homogenous countries. The variable here is drawn upon the work of Alesina et al (2003), in which reflects the probability of two randomly selected people belonging to a different ethno linguistic group.

The percentage of Protestants in a society (as of population in 1980, except for new countries, in which case it is used between 1990 and 1995) is also employed from the work of La Porta et al (1999) through the QoG Standard Dataset (Teorell et al 2011), and as research has demonstrated (La Porta et al 1999, Treisman 2000, Sandholtz & Koetze 2000, Paldam 2001), the higher the percentage of Protestants in a country, the lower levels of corruption this country has. It might have to do with the fact that Protestantism have greater tolerance and a more intense moralism, or perhaps on account of an institutional fact, as the Protestant churches often developed in counterpoint rather than in fusion with the state and may thus have stimulated a more autonomous civil society (Treisman 2000:439).

As noted in Chowdhury (2004), media and democracy play a salient role in curbing corruption; however the effects of democracy as previously stated are unclear (Treisman 2000). Democracy, in lower levels, not only does not tackle corruption, but it increases it. It could be due to the lack of administrative capacity (lack of economical resources to create and a force that implements the policies, lack of legitimation, usually relevant in post-conflict societies etc) (Bäck & Hadenius 2008, strong clientelism networks (Keefer 2007) that would undermine the positive effects of democracy. Instead, a more suitable indicator has been tested empirically in research, displaying more accurate results; years of democracy. This paper uses Treisman's measurement (2000) of consecutive years of democracy through the QoG Standard Dataset (Teorell et al 2011), which it captures the years of consecutive democracy from 1930 until 2000 (Democratic countries are those with a score of 6 or higher in Beck et al (2001) index).

Trade openness is widely regarded of downsizing the effects of corruption, as foreign companies are able to penetrate in a country's market when effective anti-trust regulations and non protective trade barriers (Ades & Di Tella 1999), it would also have a greater effect on the business and the administrative culture (Sandholtz & Koetze) or through competition among foreign investors (Bonaglia et al 2001), although some scholars have found no significant relevance (Treisman 2000). The indicator used in this paper is by the Fraser Institute from the year 2010, which measures the presence of economic freedom in a country according to taxes on international trade, regulatory trade barriers, actual size of the trade sector compared to expected size, difference between official exchange rate and black market rate and international capital and market controls. A higher number indicates more openness.

As noted in the literature, women are less prone to corrupt practices than men (Swamy et al 2000), and that has been proved by the aforementioned authors and Dollar et al (2001), showing that parliaments with larger representation of women have lower levels of corruption. The data used in the paper is from the Inter-Parliamentary Union in 2002, through the QoG Standard Dataset (Teorell et al 2011).

Another variable used in the models is the natural resources rents as a percentage of the GDP from the World Bank in the year 2008. There is a vast literature exploring the

punitive effects of having natural resources when eradicating corruption, as it crowds-out other industry sectors with lower growth (Sachs & Werner 1999), rent-seeking and increased the likelihood of conflict, which in turns also boosts corruption (Ades & Di Tella 1999, Leite & Weidmann 1999, Barbier 2003).

Vital terms such as democracy, transparency and accountability have been explored, but in the end, without a strong free and effective judicial system, the corrupt officials might turn out to be unpunished, undermining all the efforts of tackling corruption. Therefore, I decided to use a variable that captures the independence of the judicial power from the executive and the military and ensures a free and fair system to punish corrupt officials. The data is drawn upon the Cingranelli & Richards database (2010) from the year 2006, which captures the extent of judicial freedom, ranging from 0 (not independent), 1 (partially independent) and 2 (fully independent).

### 3. Results

Before displaying the results, it is essential to remember two details. Firstly, Freedom of Media's scale has been reversed, meaning that now 0 means Not Free and 100 means Very Free. Secondly, when including an interaction term, when significant, the subsidiary coefficients can only be interpreted independently when the other value is at its lowest value. A table containing the descriptive statistics is to be found in the appendix (Appendix 1). Moreover, some of the variables might be strongly correlated. Firstly, the interaction term will be highly correlated with the two interacted variables, free media and number of titles, which may modify the effect and significance of the media freedom in the models when the interaction is present. A table containing the correlation values between the independent variables is included in the appendix (Appendix 2).

Table 1 displays the models designed to test the first hypothesis (countries with more free media have less corruption) as well as the models to test the second and third hypotheses. Models 1-5 for the first hypothesis and models 6-13 for the following two. The first model is a simple bivariate model between Freedom of the Press and Control of corruption and the following models include separately the control variables. The basic models shows, not taking into consideration any variables that might affect the relationship between Free Media and Corruption, that there is indeed a positive and significant relationship between the inspected variables

The second model adds the log of GDP per capita, which is regarded as one of the strongest control variables. The aim is to test whether the relationship between the independent and the dependent variables holds. That result was expected. The log of the GDP per capita is positive and significant. Moreover, there is barely any effect on Free Media, as it remains positive and significant. In model 3 some control variables (Ethnic Fractionalization, Natural Resources Rents and Independence of the Judiciary) are introduced to rest the reliability and robustness of the variable. We can see, despite the impact of the aforementioned control variables, that Free media remains positive and significant. Withdrawing the three control variables and adding four different control variables (Protestantism, Women in Parliament, Trade Openness and Years of Consecutive Democracy) the result remains unchanged. Free Media still remains positive and significant. Both models 3 and 4 support the existing literature on free

media and corruption, as well as the first hypothesis. However, this affirmative statement is challenged in model 5, when all control variables are introduced at once. Unfortunately, and contrary to most of the existing research, Free Media loses all its significance. However, as previously stated, this might be the result of high correlation between the independent variables. Therefore, the first hypothesis is supported in models 3 and 4 (models 1 and 2 are basic models but using them to reaffirm and support the first hypothesis would be deceitful, due to the lack of control variables) but at the same time the author finds thus similarities with Lederman et al (2005) as they did not find significance in their measurement of free media and corruption, although it might probably be due to high correlation between several variables, as noted. Some of them are closely interlinked with free media and that might have produced this loss of significance of the aforementioned variable.

Models 6 to 13 capture the goal of the following two hypotheses, hence the aim of the paper. Model 6 displays the relationship between the two independent variables, the interaction and the strongest control variable available, which is GDP(log). Disregarding any control variable, this model proves that hypotheses 2 and 3 are true, highlighting the dual effect of media on corruption. When a country enjoys a considerable media freedom, more newspapers boost the positive effects tackling corruption. However, as stated in hypothesis 2, when the situation is the exact opposite, meaning a country does not have a low degree of media freedom, media plurality not only does not have a positive effect curbing corruption, but it worsens it. More newspapers increase the corruption perception of the country, displaying the other side of the aforementioned duality of media.

The variable Titles represent the countries with low free media (at its lowest value) whereas the interaction term displays the opposite effect, when free media is at its highest value. Both variables turn out significant and in the expected direction. Whereas the interaction term is positive, the variable Titles is negative, confirming hypotheses 2 and 3. Models 7, 8 and 9 include 4 different control variables to check whether the achieved results in model 6 hold or if it is just the effect of the control variables included. As it can be observed in all models, some control variables turn out to be important, particularly Trade Openness, Natural Resources Rents and Independence of the Judiciary, as well as the GDP per capita. But most important is the fact that the results displayed in model 6 hold both significant and in the expected direction. When free media is high, having more newspapers leads to a positive effect tackling corruption. When free media is low however, media plurality has a negative effect on corruption fighting. Models 10 and 11 include one more control variable than the former 3 models, and the results hardly vary.

Model 12 includes one more control variable than the previous model and finally the last model, number 13; include all variables at once. Like in model 5, in order to check the effect of all control variables together in the results. However, unlike model 5, when the main independent variable loses significance, we now observe that the results remain significant. Even when all control variables are included, the dual effects of media remain, gaining significance compared to other models where not all variables were included. Furthermore, five control variables become significant in the last model (GDP, Trade Openness, % Protestantism, % Natural Resources Rents and Independence of the Judiciary) while others, % Women in Parliament, Consecutive Years of Democracy and Ethnic Fractionalization have no relevant impact at all as they are

**Table 1: The effects of Media Freedom, Media Plurality and the interaction of both on Control of Corruption**

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
Media Freedom	0,030*** (0,002)	0,019*** (0,002)	0,007* (0,003)	0,008* (0,003)	0,001 (0,004)	0,013*** (0,003)	0,004 (0,003)	0,001 (0,004)	0,002 (0,004)	0,002 (0,004)	0,005 (0,003)	-0,003 (0,004)	-0,001 (0,004)
Titles	—	—	—	—	—	-0,157** (0,059)	-0,266** (0,083)	-0,153* (0,069)	-0,188** (0,062)	-0,257*** (0,070)	-0,322*** (0,081)	-0,134* (0,069)	-0,240** (0,083)
Titles*MF	—	—	—	—	—	0,003*** (0,001)	0,004*** (0,001)	0,002* (0,001)	0,003*** (0,001)	0,003*** (0,001)	0,004*** (0,001)	0,002* (0,001)	0,003** (0,003)
GDP/Capita	—	0,332*** (0,033)	0,357*** (0,039)	0,236*** (0,045)	0,284*** (0,54)	0,355*** (0,036)	0,269*** (0,048)	0,270*** (0,059)	0,396*** (0,043)	0,347*** (0,004)	0,428*** (0,043)	0,347*** (0,051)	0,347*** (0,059)
Trade Openness	—	—	—	0,233*** (0,061)	0,183** (0,063)	—	0,205*** (0,059)	0,231*** (0,059)	—	—	—	0,166** (0,059)	0,163** (0,061)
% Women Parliament	—	—	—	0,009 (0,006)	0,008 (0,006)	—	0,011 (0,006)	—	—	0,010* (0,005)	0,010 (0,005)	—	0,007 (0,006)
Consecutive democracy	—	—	—	0,008** (0,003)	0,004 (0,003)	—	0,007* (0,003)	—	—	0,004 (0,003)	—	0,005 (0,003)	0,003 (0,003)
% Protestantism	—	—	—	0,008** (0,003)	0,008*** (0,002)	—	—	0,008** (0,003)	—	—	0,005 (0,003)	0,007** (0,002)	0,006* (0,003)
Nat. Resources Rents	—	—	-0,009*** (0,002)	—	-0,009* (0,004)	—	—	—	-0,009*** (0,002)	-0,010*** (0,002)	-0,012*** (0,002)	-0,034* (0,069)	-0,011* (0,004)
Independence Judiciary	—	—	0,303*** (0,079)	—	0,204** (0,083)	—	—	0,234** (0,085)	0,249*** (0,076)	0,159* (0,075)	—	0,240** (0,079)	0,0169* (0,082)
Ethnic Fractionalization	—	—	0,107 (0,195)	—	-0,046 (0,203)	—	—	—	0,161 (0,196)	—	0,116 (0,194)	—	0,052 (0,198)
Constant	-1,583*** (0,125)	-3,874*** (0,246)	-3,669*** (0,326)	-4,462*** (0,357)	-4,191*** (0,424)	-3,761*** (0,268)	-4,231*** (0,368)	-4,323*** (0,332)	-3,678*** (0,341)	-3,319*** (0,306)	-3,921*** (0,343)	-3,862*** (0,335)	-4,271*** (0,431)
R2	0,498	0,695	0,755	0,806	0,833	0,740	0,817	0,800	0,788	0,830	0,827	0,829	0,852
N <sup>e</sup>	173	159	149	114	111	147	126	125	140	122	118	124	107

Note: \*p<0,05; \*\*p<0,01; \*\*\*p<0,001. Standard errors in parentheses. Dependent variable: Control of Corruption (WGI)

not statistically significant. Nonetheless, the result that really matter here is that hypotheses 2 and 3 are supported. Even when all control variables are included (as well as different combinations of control variables added separately) the duality remains significant and with the expected direction. Note that in all models, free media loses significance. Nevertheless, this is to be expected due to the inclusion of the interaction term between free media and number of titles.

Due to the variables used in model 13, the number of observations is reduced to 107, but remains strongly supported by the fact that the model is significantly large. Thus, when a country has free media, the effects of media plurality are beneficial, whereas when a country does not have free media, the effects of having more newspapers have the opposite effect, harmful impact on corruption. In other words, the fewer newspapers these countries have the higher control of corruption they will achieve.

Some examples of this kind of countries are Venezuela, Russia, Iran and Equatorial Guinea. Disregarding the latter due to its size and population (small countries tend to have more number of newspapers per inhabitant, due to their low population), the former three countries are a perfect example. Three large countries with high population where numerous newspaper outlets coexist score relatively low compared with other similar countries. Their history of state-controlled media or the political, religious and economical links between the media and the government are widely acknowledged, proving my point that more newspapers, in specific conditions, do not lead to higher control of corruption.

#### **4. Conclusions**

This thesis contributes to the literature as it questions and challenges some central findings between media and corruption while trying to reconcile two opposite approaches. The relationship between freedom of media and control of corruption was tested using updated data and the achieved results slightly vary from the predominant perspective. As expected, in the bivariate model, the relationship between both aforementioned variables is strong, also when including the effects of GDP in the regression. However, the relationship slightly fades when introducing two sets of control variables and disappears when all control variables are included. Therefore, the paper partially agrees with the current literature, although at the same time it fails to find a significant relationship when other variables are introduced.

Nonetheless, the main contribution is the predicted dual effect of media and corruption. The author has found compelling evidence that the quantity of media outlets, measured by number of newspapers, has both beneficial and harmful effects on corruption levels depending on the degree of media freedom. When countries enjoy larger levels of media freedom, having more newspaper produces a positive outcome that reinforces the beneficial effects of freedom of press. Therefore, media truly acts as not only as information providers, as they transmit vital information which citizens use to evaluate the government's performance, renewing their confidence of ousting them out of office as a punishment, but also they act as watchdogs, monitoring their activity and creating constraints for them to be engaged in corrupt practices.



Competition will encourage the newspapers to do in-depth research about corruption, since another outlet could as well uncover a breaking-corruption scandal, and due to this plurality, governments do not have the ability and the resources to capture the existing media outlets, as it would become too costly to silent them all. Furthermore, the role of media in these countries would put pressure upon the bureaucrats not only to deliver and to increase their efforts in curbing corruption.

However, when countries do not have free media or have lower levels of such, media plurality, measured by number of newspapers, has a harmful effect in corruption. Not only does not tackle corruption, but it increases it (negative effect). I hypothesize that this situation is especially sensitive in countries that suffer from polarized political systems. This polarization might lead to disregard every single piece of news that does not fit into a person's conceived ideology, taking offence for whatever information that contradicts or opposes his personal beliefs or his own party, while at the same time overemphasizing the importance and reality of the news published in his/her preferred outlet, meaning any corrupt rumor affecting the opposite party would be taken as a fact whereas any corrupt rumor affecting his own party would be taken as noise. If the outlets are controlled by large companies linked with the executive, legislative, judicial or military power, the same effect might also occur.

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## Appendix

### Appendix 1: Descriptive Statistics

Variable	N°	Mean	Standard deviation	Minimum	Maximum
Control of Corruption	173	-0,1140	1,00406	-1,72	2,42
Media Freedom	173	49,50	23,895	3	90
Newspaper Titles	158	2,6794	3,20662	0,04	16,06
GDP/Capita (log)	159	8,5141	1,57127	5,44	11,65
Trade Openness %	140	7,007	1,1362	1,8	9,4
Protestantism % Women in Parliament	163	11,4086	20,00461	0,00	97,80
Consecutive Democracy	141	13,8433	9,35923	0,00	45,00
Ethnic Fractionalization	165	18,01	21,937	0	70
Natural Resources Rents	164	0,4581	0,25574	0,00	0,93
Independence Judiciary	167	13,872	22,0765	0,00	149,3
	169	0,93	0,795	0	2

### Appendix 2: Correlation table between IVs

	MF	Titles	MF* T	GDP Log	Trade Op	Wom Parl	Cons Dem	Protes	Nat Rents	Ind Jud	Eth Frac
Media Freedom	1										
Titles	0,538**	1									
MF*T	0,61**	0,684**	1								
GDP/Capita log	0,535**	0,583**	0,407**	1							
Trade Openness	0,595**	0,373**	0,230**	0,662**	1						
% Women Parliament	0,377**	0,329**	-0,55**	0,319**	0,276**	1					
Consecutive democracy	0,632**	0,393**	-0,30**	0,605**	0,419**	0,456**	1				
% Protestantism	0,439**	0,429**	-0,24**	0,256**	0,064**	0,504**	0,427**	1			
% Nat Resources Rents	-0,474**	-	0,56**	0,026**	-	-	-	-	1		
Independence Judiciary	0,725**	0,177*	-0,20**	0,519**	0,352**	0,102**	0,288**	0,150**	-	1	
		0,387**				0,381**	0,587**	0,393**	0,311**		
Ethnic Fractionalization	-3,01**	-	-0,66**	-	-	0,177*	-	-	0,181*	-	1
		0,233**		0,492**	0,397**	*	0,399**	0,106**	*	0,296**	

Note: \*\* bilateral correlation at  $p < 0,01$ . \* bilateral correlation at  $p < 0,05$

