The Role of Democratization and Economic Freedom on Corruption: a case study of ASEAN

Muhammad Hasyim Ibnu Abbas[1], Januar Kustiandi[2], Amin Syaifudin[3], Achmad Nurdiono[4]
[1]Department of Development Economics, Universitas Negeri Malang, Indonesia
[2]Ph.D (cand.) in Economic Education, Universiti Kebangsaan Malaysia, Malaysia
[3]Student of Management Program Study, Universitas Gajayana, Indonesia
[4]Student of Management Program Study, Universitas Terbuka, Indonesia
[1]muhammad.hasyim.fe@um.ac.id, [2]januar.kustiandi.fe@um.ac.id,

Abstract: This study aims to determine the interaction effect of democracy and economic freedom on corruption in ASEAN, 2012-2021. The tool analysis used in this study is typology analysis to determine the position of each ASEAN country based on the level of Corruption, democracy, and economic freedom, and it was amplified by panel data regression with a fixed effect. Typology analysis shows that the higher the level of democracy and economic freedom, the better the Corruption Perception Index (CPI). Regression analysis also shows that when a country possesses economic freedom level below 6.25, then democracy has a negative effect on corruption. Likewise, when the level of democracy of a country is below 4.4 then a change of economic freedom will reduce the CPI instead. This corresponds to the typology analysis in which Malaysia and Singapore have levels of democracy and economic freedom over 4.4 and 6.25—on average—during 2012-2021.

Introduction

The theoretical foundation about the study of the economics of crime is Becker's Decision Theory of crime and punishment. Becker (1968) argued that a rational individual always considers the costs and benefits of a criminal act before committing it. In the case of corruption, the term 'costs' means the cost and the risk of committing corruption such as the cost of bribery (one of the corrupt acts) and the risk of being convicted. Whereas, the term 'benefits' refers to the advantages of committing corruption, for example; the

economic agent bribes the bureaucrats in exchange for reducing the amount of red tape, so the process of business licensing is faster.

Many empirical studies concluded that there are many determinants of corruption. Saha and Sen (2021) argued that the main factor of corrupt behavior is lack of competition. The focus on the word "competition" and its impact on corruption have been noted in two different perspectives, one is political liberalization or democracy and the other is economic liberalization. Corruption makes economic efficiency more difficult to achieve (Holcombe & Boudreaux, 2015). The cost of production will exactly rise if the economic agents commit the corrupt act (Brol, 2016; Bahoo *et al.*, 2021). Nurudeen and Waldemar Staniewski (2019) pointed out that civil liberties, openness, and military expenditure produce lower corruption if they run well.

In some research, economic prosperity is a standard factor affecting corruption. Logically, the benefits obtained by committing corruption in richer countries are probably smaller than the poorer and so the potential corruptors do not really need a perquisite acquired by committing corruption. Richer countries usually have better governance, rule of law and regulation, etc (Hopper et al., 2017; Plattner, 2015). Then because of all mentioned reasons, the potential corruptors in the richer countries have a smaller desire to commit corruption.

Transparency International (TI)'s annual report about the global Corruption Perception Index (CPI) and the Freedom House's Democratization Index stated that democracy has a negative effect on corruption. Among ten countries classified as the cleanest countries from corruption, nine of them are democratic countries. Only one country, Singapore, is classified as a clean country but not so democratic as the other nine. In contrast, the bottom 10 countries that are ranked the most corrupt are non-democratic countries.

Table 1. **The Top and Bottom 10 countries CPI, 2021**

	COUNTRY	CPI[1]	DEMOCRACY [2]
TOP 10 RANKING	Denmark	88	*Free*
	Finland	88	*Free*
	New Zealand	88	*Free*
	Norway	85	*Free*
	Singapore	85	*Free*
	Sweden	85	*Free*
	Switzerland	84	*Free*
	Netherlands	82	*Partly free*
	Luxemburg	81	*Free*
	Germany	80	*Free*
BOTTOM 10 RANKING	Turkmenistan	19	*Not free*
	Equatorial Guenia	17	*Not free*
	Libya	17	*Not free*
	Afghanistan	16	*Not free*
	Korea, North	16	*Not free*
	Yemen	16	*Not free*
	Venezuela	14	*Not free*
	Somalia	13	*Not free*
	Syria	13	*Not free*
	South Sudan	11	*Not free*

Source: 1) *Transparency International*; 2) *Freedom House* (data processed).

If we look closer at the table, we know that Singapore is the one and only ASEAN country that is classified as one of the top 10 cleanest (from corruption) countries in the world. The CPI of other ASEAN countries is still ranked above 50, and none of the ASEAN countries' democratization is categorized as 'free'.

Table 2. **ASEAN's CPI and Democracy Status (value index), 2021**

COUNTRY	CPI[1]	DEMOCRACY[2]
Singapore	85	47 (Partly Free)
Malaysia	48	50 (Partly Free)
Thailand	35	29 (Not Free)
Indonesia	38	59 (Partly Free)
Philippines	33	55 (Partly Free)
Vietnam	39	19 (Not Free)
Laos	30	13 (Not Free)
Cambodia	23	24 (Not Free)

Source: 1) Transparency International; 2) Freedom House

The study of determinants of corruption in ASEAN is interesting as good governance is one of the important factors to face the competition in the ASEAN Economic Community (AEC) and with other regional areas such as the European Union (EU). It is important because awareness of governance reform occurs collectively in the ASEAN region, where the ASEAN Capital Market Forum introduced the ASEAN Corporate Governance Scorecard (ACGS) in 2011 which was developed from the principles of The Organization for Economic Co-operation and Development (OECD). The scorecard is expected to improve the corporate governance standards of public companies in ASEAN countries and increase their visibility to investors (Nguyen, 2018; Bonetti & Ormazabal, 2021).

The fact that democracy and economic freedom do not always positively affect the CPI in ASEAN, makes it interesting to study and test the effect of democracy on corruption in the region. Previously published studies on the effect of democratization and economic freedom on corruption are not consistent, especially in ASEAN. However, few studies investigated the effect of democratization and economic openness in ASEAN. In addition, no research has also been found that surveyed the interaction between democracy and openness in ASEAN. A seminal study in this area is the work of Pieroni and d'Agustino (2013) which found that democracy can substantially depress corruption only if economic freedom reaches a certain limit. Based on this gap, this work will generate fresh insight into the relationship between corruption and the socioeconomic conditions of a country.

Literature Review

Transparency International defined corruption as the abuse of public officer for private gain. The definition has been used by many studies. In practice, the term 'private gain' often means family, party, or colleague gain. Bahoo *et al.* (2020), Sparling (2018), Rose (2018), Ertimi and Saeh (2013), Borsky and Kalkschmied (2019) stated that the definition of corruption is different between regions or countries. It depends on socio-cultural, moral,

and legal factor prevailing in a country. For example in North Korea, in that country bringing things such as books and newspapers that are contrary to the ideology of the country is called corruption (Sandholtz & Taagepera, 2005; Bardhan, 1997).

Corruption is related to the political situation and governance system in a country—whether it is "democracy" or "autocracy" (Nur-Tegin dan Czap, 2012; Widodo *et al.,* 2018). We have seen many corruption cases in many countries that involve politicians, bureaucrats, and even law enforcers (police, judges, or prosecutors). A large number of corruption cases in the midst of the worldwide democratization process raises one question, "does democratization produce a corrupt mentality?"

Theoretically, a democratic system demands people's sovereignty (McKeon & Berron, 2020). Individuals in a democratic country have the right to voice their own interests and to control the government. In other words, the democratic system requires transparency of what the state and/or government did and made (Puron-Cid *et al.,* 2019; Chen & Neshkova, 2020). The policies run by the government, including the resources and spending, have to be reported to and accounted for the people. So in a democratic system, there is no place for corruption and corruptor. Schumpeter (1976: 250) argued that democracy is the institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote. In practice, then, democracy is associated with a particular set of institutions, such as free and fair elections, the accountability of politicians to the electorate, and free entry into politics (Montes & Luna, 2021). Even accepting a Schumpeterian definition, countries differ as to the extent to which any of the institutional conditions are satisfied.

Mohtadi and Roe (2003) found that the relationship between corruption and democracy is an inverted U curve. At the beginning of democratization, the participation cost is low so there are more rent seekers. In other words, at the beginning of democratization, corruption tends to increase (Saha & Ali, 2017; Boehm, 2015; Bhattacharyya & Hodler, 2015). But at a certain point, along with the number of rent-seekers, the competition between them raises. Thus, the demand for transparency and accountability increases and then it makes corruption more difficult and eventually declined.

Figure 1. **The Relationship between Corruption and Democracy by Mohtadi and Roe (2003)**
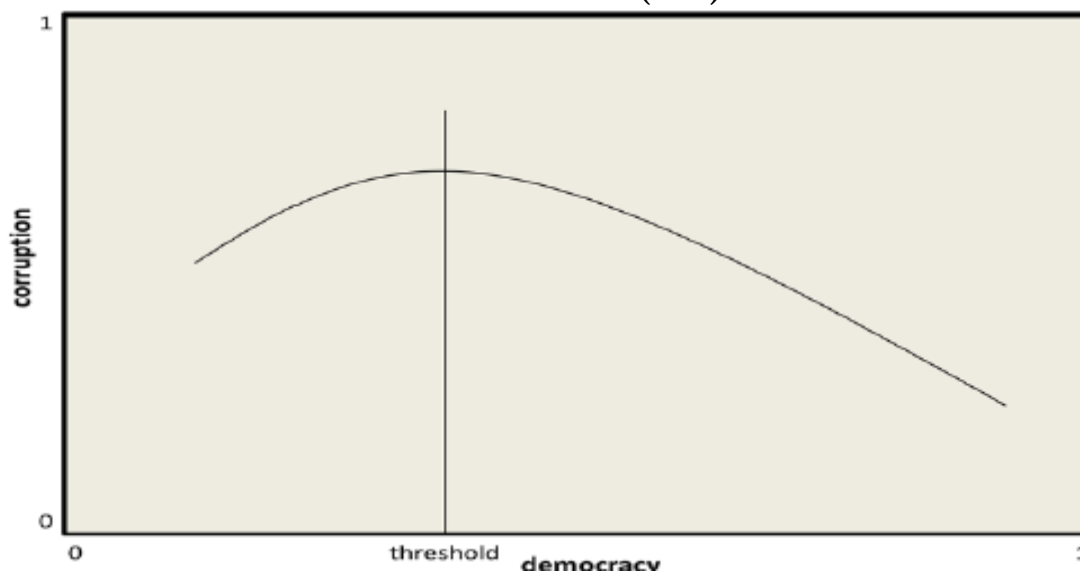
Just like democratization affects corruption in a country, economic prosperity also affects corruption (Gründler & Potrafke, 2019; Igiebor, 2019; Dutta & Sobel, 2016). Many researchers have found that one of the key factors affecting corruption is the economic prosperity of a country. The higher the economic prosperity, the smaller the desire of the people to commit the corrupt act is (Maria *et al.*, 2021; Goel *et al.*, 2016; Song *et al.*, 2021; Moiseev *et al.*, 2020; Billger and Goel, 2009; Saha *et al.*, 2009; Riyadi *et al.*, 2020; Wang & Yan, 2020). It's unclear what determines corruption in a country whether it's a political or economic aspect.

In addition, there are studies concluding that democracy affects corruption under certain conditions. One of them is that democracy will only be able to reduce corruption only if the country achieves a certain level of economic prosperity—measured by GDP per capita (Jetter, 2015; Azam, 2022). Saha et al. (2009) also stated that democracy can reduce corruption if regulation and economic freedom in a country are as good as regulation and political freedom (democratic). The study of Fraj et al. (2018) also found the effect of the exchange rate regime on good governance.

Economic freedom is described as the freedom of citizens in one country to work, produce, consume, and invest in the way they want and that freedom is protected and not hindered by the state (Saunoris & Sajny, 2017). However, this definition does not mean ignoring the role of the government or the state in any economic activity. The role of the state or government, in this case, is to make rules or regulations in every economic activity so that the competitive order can run well (Malansky & Póvoa, 2021). Economic freedom gives birth to ease of doing business by shortening the "red tape" of bureaucracy (Doshi *et al., 2019*). The shorter the bureaucratic chain will reduce the opportunities for rent-seekers to commit corruption (bribery and extortion) (Bardhan, 2017). With more freedom to carry out political activities, there is also a need for openness or flexibility in economic activities to create a competitive climate so that opportunities for abuse of authority can be minimized.

Methods

This research uses a quantitative approach. We use all time series data from 2012 to 2021 and cross-sectional data from 8 ASEAN countries-Indonesia, Malaysia, Philippines, Thailand, Singapore, Laos, Vietnam, and Cambodia. We exclude Myanmar and Brunei due to data limitations. To measure the level of corruption in ASEAN countries, we use the data of the Corruption Perception Index published by Transparency International. The measure of democracy uses the democracy index issued by the Freedom House while economic freedom, proxied by the index of economic freedom, is obtained from the Heritage Foundation.

Theoretically, people who commit crimes must have calculated the costs and benefits before committing corruption so that corruption is closely related to the economy. People who commit corruption must have economic motives. So, in this study we also include GDP per capita as one of the control variables. This variable is used as a measure of the welfare of the population of a country. Another variable, government size as measured by government spending, is also used as a control variable. Goel *et al.* (2021) stated that the larger the size of the government will reduce corruption because the large size of the government indicates that there will be more parties demanding accountability, meaning that there will be more supervision and control over government performance, resulting in lower corruption.

Therefore, the model is specified as:

$$COR_{it} = a + b_1 lnGDP_{it} + b_2\,DEM + b_3 EF_{it} + b_4\,DEM*EF_{it} + b_5 GOV_{it} + e$$

Where COR is the CPI, GDP is real per capita Gross Domestic Product, DEM is the democratization index, EF is Economic Freedom Index, and GOV is the General government's final consumption expenditure. The coefficient b_4 captures the interaction effect of democracy and economic freedom, which is the main focus of this study. In addition, the partial effects of democracy and economic freedom on corruption are computed as follows:

$$COR\ /\quad DEM = b_2 + b_4 EF \;…………………………………..(2a)$$
$$COR\ /\quad EF = b_3 + b_4 DEM \;………..………………………...(2b)$$

Findings

In this study, we use two different approaches to analyze the effect of democratization on corruption. First, we use descriptive analyses using typological analysis. This analysis aims to determine the condition and distribution of levels of corruption and democracy as well as economic freedom in each country. Second, we use the econometrics approach to make a deeper analysis to the effect of democratization on corruption.

Typological Analysis

This analysis is used to describe the position of the level of corruption and democracy as well as the economic freedom of each ASEAN country. This typological analysis was conducted to clarify and strengthen the general picture of the conditions of corruption and democracy as well as the economic freedom of each ASEAN country.

The following is the figure of the scatter plot for the typology of ASEAN countries based on the CPI and the quality of democracy in 2021.

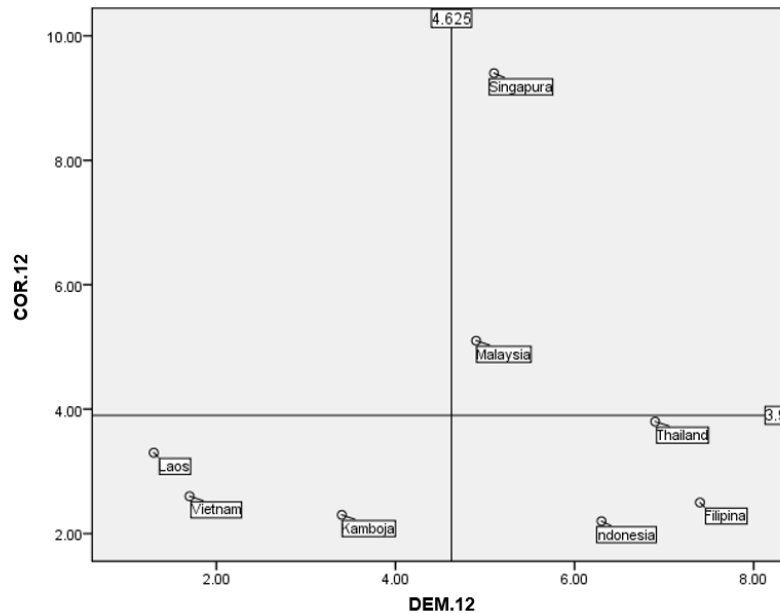Figure 2. **Corruption and Democratization Typology of ASEAN-8, 2012**

Figure 2 shows that there are only two countries that are in quadrant I where the CPI is high above the average and democracy is high above the average, namely Singapore and Malaysia. Meanwhile, Indonesia, Thailand, and the Philippines are in quadrant IV where their CPI is low even though their democracy is high above the ASEAN average. The rest of Laos, Cambodia, and Vietnam are in quadrant III where the CPI is low and democracy is low, and not a single country is in quadrant II.

Figure 3. **Corruption and Democratization Typology of ASEAN-8, 2021**
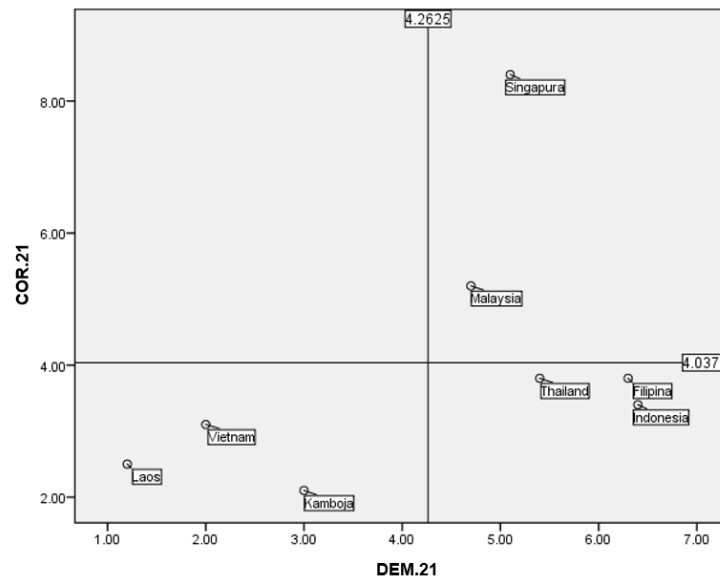
Not much different from the typology results for 2012, based on figure 3, each country is still in the same quadrant position in 2021. In quadrant IV (low CPI, high democracy) there are Indonesia, Thailand, and the Philippines. Meanwhile, Laos, Cambodia and Vietnam are still in quadrant III (low CPI, low democracy). The rest, Malaysia and Singapore, are in quadrant I where democracy is high above average and CPI is high above average.

Figure 4. **Corruption and Democratization Typology ASEAN-8, 2012-2021**
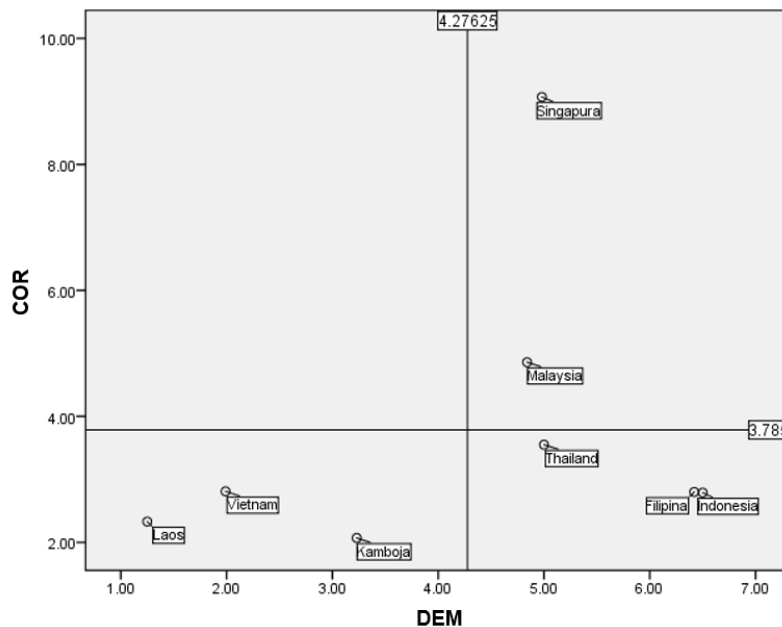
After looking at the position of each country at the beginning of the observation year (2012) and the end of the observation year (2021), then we look at the position of the country based on the average level of corruption and democracy from 2012 to 2021. Figure 4 indicates that there is no difference position of each country.

The following is a classification of Klassen's typology:
- ✓ Quadrant I: It is the position of countries that have a high CPI (Corruption Perception Index) with democracy and high economic freedom, which is above the ASEAN average.
- ✓ Quadrant II: represents the position of countries that have a high CPI above the ASEAN average with democracy and low economic freedom below the ASEAN average.
- ✓ Quadrant III: represents the position of countries that have a low CPI and democracy and low economic freedom below the ASEAN average.
- ✓ Quadrant IV: represents the position of countries that have a low CPI and democracy and high economic freedom above the ASEAN average.

Unit-root Test

The unit root test was conducted to test whether the variables in the study were stationary or not. Stationary data is data whose average and variance values do not change systematically over time or some experts state that the average and variance are constant (Diacon & Maha, 2015; Khraief, et al., 2020). The method used in this test is Levin-Lin-Chu (LLC) because the amount of cross-section data is less than the time series (Levin et al., 2002). The results of the unit root test for the variables in this study are as follows:

Table 3. **LLC Unit Root Test Results at Level**

Variable	LLC Panel Unit Root Test	
	Indv.Intercept	*Indv. Intercept* dan *Trend*
CPI	-3,5078 (0,0002)***	-4,0708 (0,0000)***
Democracy Index	-6,4579 (0,0000)***	-5,6803 (0,0000)***
Economic Freedom Index	-2.6818 (0,0037)***	-7,2156 (0,0000)***
Per-Capita LGDP	-2,0410 (0,0206)**	-4,0864 (0,0000)***
Governement Size	-1,7796 (0,0376)**	-4,7326 (0,0000)***

Note: *** significant at   1%
      ** significant at   5%

Table 3 shows a summary of the panel data unit root test using the LLC method on each variable with individual intercepts with and without trends at the level. From table 3 it can be seen that all research variables—corruption, democracy, economic freedom, GDP per capita, and government size—at the level do not have a unit root or all variables are stationary at the level. Therefore, the analysis can be continued to the regression analysis stage.

Panel Data Regression

In estimating the parameters of the equation with panel data, there are three equation models that can be made, namely Pooled Least Square, Fixed Effect, and Random Effect.

Then to determine which model is better among the three, the Chow test and Hausman test are used.

Table 4. **Chow Test and Haussman Test**

Test	Chi-Square	P-value	Result
Chow	23,089468	0.0016	*Fixed Effect*
Haussman	11,421319	0.0436	*Fixed Effect*

The result of the Chow test in table 4 shows that the value of Prob. is 0.0016. This means that the value is <0.05 so that it rejects Ho, then the Fixed Effect model is better than Pooled Least Square. Table 4 also shows that the probability value in the Haussman test is 0.0436, which is <0.05, so we reject Ho. Thus, the Fixed Effect model is better than the Random Effect. After receiving two decisions that the Fixed Effect model is the best, it is not necessary to conduct the Lagrange Multiplier Test.

The next step after testing the hypothesis by estimating using the Fixed Effect Model To eliminate heteroscedasticity, Fixed Effect estimation is carried out using the white heteroscedasticity procedure so that the Fixed Effect estimation model is assumed to be homoscedastic.

Tabel 5. **Estimation Results (Panel Regression)**

Variable	Fixed Effect	t
Democracy	-1.988755	(-3.726820)***
Economic Freedom	-1.399916	(-3.436251)***
Democracy * Economic Freedom	0.318394	(3.689640)***
LGDP (per-capita)	0.650242	(2.283460)**
Gocernment Size	0.003347	(0.105221)
C	7.266093	(1.981487)*
Adj. R²	0.977022	
F-Stat.	280.9221***	

Note: Dependent Variable: Corruption Perception Index (CPI).
  ***significant at   1%
  ** significant at   5%
  * significant at   10%

The estimation results using the Fixed Effect Model obtained an R^2 coefficient of 0.977022 which means that the variation of the independent variables, namely Democracy, Economic Freedom, the Interaction of the Two, GDP per capita, and the size of the government is able to explain the variation in the CPI (Corruption Perception Index) in ASEAN (the dependent variable) of 97.7 percent and the remaining 2.3 percent are explained by other variables that are not included in the estimation model. The magnitude of R^2 in this study is supported by all independent variables that have a significant effect on CPI except for the government size variable.

From the estimation results using the Fixed Effect in table 5, it can be seen that the effect of the natural logarithm of the Per capita Gross Domestic Product (LnGDP per capita) is significantly positive at 5 percent alpha with a coefficient value of 0.650242. It means an increase of 1 percent of GDP per capita will improve the level of corruption or the CPI will improve by 0.006. The Government Size variable—which is proxied by the percentage

of government spending on goods and services to total GDP—has a significant effect on the CPI both at alpha 1, 5, and 10 percent.

The interaction variable between democracy and economic freedom has a positive and significant effect at 1 percent alpha, while each coefficient of democracy and economic freedom is negative and significant at 1 percent alpha. However, it cannot be immediately concluded that the influence of democracy and economic freedom is negative and significant on the CPI. The difference in signs (+ and -) in the estimation results between each democracy and economic freedom, and the interaction between the two makes it possible that the interaction effect between democracy and economic freedom can differ depending on how they interact with each other. To see the marginal effect of democracy and economic freedom with these interactions on changes in CPI, it is calculated by looking at the first derivative of the equation obtained from the estimates in table 5.

$$COR = 7,266093 - 1,988755\,DEM - 1,399916\,EF + 0,318394\,DEM * EF$$

The first derivative is:

$$\frac{dCOR}{dDEM} = -1,988755 + 0,318394\,EF \ldots\ldots\ldots (\boldsymbol{f_x})$$

$$\frac{dCOR}{dEF} = -1,399916 + 0,318394\,DEM \ldots\ldots\ldots (\boldsymbol{f_y})$$

The first-order requirement to determine the maximum point or minimum point where the influence of democracy or economic freedom on the CPI is zero, is to find the first derivative (f_x and f_y) equal to zero, so that:

$$-1,988755 + 0,318394\,EF = 0$$

$$0,318394\,EF = 1,988755$$

$$EF = \frac{1,988755}{0,318394} = \boldsymbol{6,25}$$

The value of EF (Economic Freedom) is 6.25 at the maximum/minimum point where democracy has an effect of 0 on the change in CPI.

$$-1,399916 + 0,318394\,DEM = 0$$

$$0,318394\,DEM = 1,399916$$
$$DEM = \frac{1,399916}{0,318394} = \boldsymbol{4,4}$$

The value of DEM (democracy) is 4.4 at the point where economic freedom has an effect of 0 on changes in CPI.

The result can be concluded that when the EF is 6.25, it is the point where the effect of democracy on changes in the CPI is zero. Democracy has a negative effect on the CPI if the index of economic freedom is less than 6.25, on the contrary, democracy has a positive effect when the economic freedom is more than 6.25. The test results also conclude that when the DEM is worth 4.4 is the point where economic freedom has a zero effect on changes in CPI. This means that economic freedom has a negative effect if the democracy index is less than 4.4.

Discussion

Based on the results of the research using the typological analysis method in table 4, only Singapore and Malaysia have high CPI with high democracy and economic freedom. Indonesia and the Philippines have low CPI with low economic freedom but their democracy is high above average. The only country with a low CPI with high above-average Economic and Democratic freedom is Thailand. This is likely due to the unstable political situation in Thailand, which at its peak occurred during a military coup in 2014. As the results of research from Nur-Tegin and Czap (2012) and Widodo *et al.* (2018) that countries with unstable political conditions will affect a lower CPI in a country because the focus of the government will be shifted to maintaining power by all means including corruption (Watabaji & Shumetie, 2021). Meanwhile, Vietnam, Laos, and Cambodia have low CPIs below the average and their economic freedom and democracy are also low during 2012-2021.

The results of the typological analysis support the regression estimation results where at a certain point of economic freedom, democracy will have a positive effect. This can be seen from what was experienced by Singapore and Malaysia, where their index scores of democracy and economic freedom had passed a positive phase where their scores had exceeded the points of democracy (4.4) and economic freedom (6.25). Even though Indonesia and the Philippines have exceeded the democratization point (4.4), even Indonesia is the most democratic country in ASEAN, their economic freedom is still below the 6.25 point. On the other hand, Vietnam, Laos, and Cambodia have scores on democracy and economic freedom which are still below the point (4.4 and 6.25) so they are in quadrant III.

A low CPI can be interpreted as a high level of corruption in a country. Thus, the results of this study also support Mohtadi and Roe (2003), Rock (2009), and McMann *et al.* (2020) that the influence of democracy on the level of corruption is like an inverted or parabolic U. However, in this study it is modified that the point where it is the turning point of democracy has a negative effect on the level of corruption related to regulations and rules issued by the government regarding economic activity (economic freedom). Economic freedom gives birth to ease of doing business by shortening the "red tape" of bureaucracy. The shorter the bureaucratic chain will reduce the opportunities for rent-seekers to commit corruption (bribery and extortion) (Bardhan, 2017).

The influence of democracy on the level of corruption was initially positive but, at a certain point where the improvement of democracy is also followed by the improvement of economic freedom, then the improvement of democracy, in the end, will reduce the level of corruption. This result is in agreement with those obtained by (Malansky & Póvoa, 2021). In the early days of a country carrying out reforms in the political (democratic) field, the country is also still faced with quite strict economic regulation rules so there are still

many rent-seekers. As the quality of regulations made by the government improves, in the end the opportunity for rent-seekers to commit corrupt acts is also getting smaller. Logically, the higher the economic freedom granted by the government to the private sector—the control from the government is getting looser—the less opportunity for unscrupulous bureaucratic officials to commit corruption, for example by extorting money to get a business license (Billger and Goel., 2009) .

This research also adds control variables, namely GDP per capita and government size. The estimation results show that GDP per capita has a positive and significant effect on the CPI. This means that the richer a country will be, the country will have a better CPI (Graycar & Monaghan, 2015). This is in accordance with previous studies that logically the discount rate of 'potential corruptors' (potential corruptors) from a more prosperous and prosperous country will be smaller, thus making potential corruptors have less desire to commit corruption (Ades et al. al., 1999; Jain, 2001; Song *et al.*, 2021; Moiseev *et al.*, 2020; Nadpara & Samanta 2015).

Conclusion

This study was limited by the absence of two other countries of ASEAN – Myanmar and Brunei – due to the data limitations. Notwithstanding these limitations, this study offers some insight into the phenomena of corruption in ASEAN. The results of panel data regression analysis using the Fixed Effect method show that high democracy without being accompanied by improved regulations related to economic activity (Economic Freedom) will not have a good impact on the level of corruption. Lack of competition due to low economic freedom has resulted in rampant rent-seekers. This is evidenced by what happened in Indonesia and the Philippines. These two countries are countries with the most democratic political systems in ASEAN but their economic freedom is still relatively low, so their CPI is also low. The estimation results also show that the more prosperous or prosperous a country is—as indicated by the size of the Gross Domestic Product (GDP) per capita, the lower the level of corruption because the discount rate for potential corruptors will be smaller. Meanwhile, the size of the government—as measured by government spending on goods and services—does not have a significant effect on the level of corruption in ASEAN. Suggestions from researchers for the implementation of government policies in ASEAN countries to reduce the level of corruption are: 1) Corruption is closely related to organized crime and money laundering, and as a trans-national phenomenon, cooperation between countries to tackle corruption is something that should be done; 2) giving freedom to express opinions to its people by correcting or even removing rules or laws that restrict people's freedom to engage in politics and express opinions; 3) reforming the bureaucracy in the licensing and business system so that the 'bureaucratic chain' can be shortened, for example, what was done by the Indonesian government led by President Joko Widodo by issuing several economic policy packages to facilitate business in Indonesia, and 4) restructuring positions -positions of civil servants (Civil Servant) for positions that have almost the same basic duties and functions so that the size of the government becomes efficient and the bureaucratic chain becomes shorter.

References

Ades, A., & Di Tella, R. (1999). Rents, competition, and corruption. *American economic review*, *89*(4), 982-993. doi: doi.org/10.1257/aer.89.4.982

Azam, M. (2022). Governance and economic growth: evidence from 14 Latin America and Caribbean countries. *Journal of the Knowledge Economy*, *13*(2), 1470-1495. doi: doi.org/10.1007/s13132-021-00781-2

Bahoo, S., Alon, I., & Floreani, J. (2021). Corruption in economics: a bibliometric analysis and research agenda. *Applied Economics Letters*, *28*(7), 565-578. doi: doi.org/10.1080/13504851.2020.1764476

Bahoo, S., Alon, I., & Paltrinieri, A. (2020). Corruption in international business: A review and research agenda. *International Business Review*, *29*(4), 101660. doi: doi.org/10.1016/j.ibusrev.2019.101660

Bardhan, P. (2017). Corruption and development: a review of issues. *Political Corruption*, 321-338.

Becker, G. S. (1968). Crime and punishment: An economic approach. In *The economic dimensions of crime* (pp. 13-68). Palgrave Macmillan, London. doi: doi.org/10.1007/978-1-349-62853-7_2

Billger, S. M., & Goel, R. K. (2009). Do existing corruption levels matter in controlling corruption?: Cross-country quantile regression estimates. *Journal of Development Economics*, *90*(2), 299-305. doi: doi.org/10.1016/j.jdeveco.2008.07.006

Bhattacharyya, S., & Hodler, R. (2015). Media freedom and democracy in the fight against corruption. *European Journal of Political Economy*, *39*, 13-24. doi: doi.org/10.1016/j.ejpoleco.2015.03.004

Boehm, F. (2015). Democracy and corruption. *Dimensión Empresarial*, *13*(2), 75-85. doi: doi.org/10.15665/rde.v13i2.558

Bonetti, P., & Ormazabal, G. (2021). Boosting International Investment: The Role of Expert Assessments of Corporate Governance. *European Corporate Governance Institute–Finance Working Paper*, (765). doi: https://dx.doi.org/10.2139/ssrn.3858572

Borsky, S., & Kalkschmied, K. (2019). Corruption in space: A closer look at the world's subnations. *European Journal of Political Economy*, *59*, 400-422. Doi: https://doi.org/10.1016/j.ejpoleco.2019.05.004

Brol, M. (2016). Institutional determinants of corruption. *Ekonomia i Prawo. Economics and Law*, *15*(1), 21-32. doi: https://doi.org/10.12775/EiP.2016.002

Chen, C., & Neshkova, M. I. (2020). The effect of fiscal transparency on corruption: A panel cross country analysis. *Public Administration*, *98*(1), 226-243. doi: https://doi.org/10.1111/padm.12620

Diacon, P. E., & Maha, L. G. (2015). The relationship between income, consumption and GDP: A time series, cross-country analysis. *Procedia economics and finance*, *23*, 1535-1543. doi: https://doi.org/10.1016/S2212-5671(15)00374-3

Doshi, R., Kelley, J. G., & Simmons, B. A. (2019). The power of ranking: The ease of doing business indicator and global regulatory behavior. *International Organization*, *73*(3), 611-643. doi: https://doi.org/10.1017/S0020818319000158

Dutta, N., & Sobel, R. (2016). Does corruption ever help entrepreneurship?. *Small Business Economics*, *47*(1), 179-199. doi: https://doi.org/10.1007/s11187-016-9728-7

Ertimi, B. E., & Saeh, M. A. (2013). The impact of corruption on some aspects of the economy. *International Journal of Economics and Finance*, *5*(8), 1-8. doi: http://dx.doi.org/10.5539/ijef.v5n8p1

Fraj, S. H., Hamdaoui, M., & Maktouf, S. (2018). Governance and economic growth: The role of the exchange rate regime. *International economics*, *156*, 326-364. doi: https://doi.org/10.1016/j.inteco.2018.05.003

Goel, R. K., Mazhar, U., & Ram, R. (2021). *Size Matters: Corruption Perceptions versus Corruption Experiences by Firms* (No. 9221). CESifo Working Paper.

Goel, R. K., Mazhar, U., & Nelson, M. A. (2016). Corruption across government occupations: Cross national survey evidence. *Journal of International Development*, *28*(8), 1220-1234. doi: https://doi.org/10.1002/jid.3040

Graycar, A., & Monaghan, O. (2015). Rich country corruption. *International Journal of Public Administration*, *38*(8), 586-595. doi: https://doi.org/10.1080/01900692.2014.949757

Gründler, K., & Potrafke, N. (2019). Corruption and economic growth: New empirical evidence. *European Journal of Political Economy*, *60*, 101810. doi: https://doi.org/10.1016/j.ejpoleco.2019.08.001

Holcombe, R. G., & Boudreaux, C. J. (2015). Regulation and corruption. *Public Choice*, *164*(1), 75-85. doi: https://doi.org/10.1007/s11127-015-0263-x

Hopper, T., Lassou, P., & Soobaroyen, T. (2017). Globalisation, accounting and developing countries. *Critical Perspectives on Accounting*, *43*, 125-148. doi: https://doi.org/10.1016/j.cpa.2016.06.003

Igiebor, G. S. O. (2019). Political corruption in Nigeria: Implications for economic development in the fourth republic. *Journal of Developing Societies*, *35*(4), 493-513. Doi: https://doi.org/10.1177/0169796X19890745

Jain, A. K. (2001). Corruption: A review. *Journal of economic surveys*, *15*(1), 71-121. Doi: https://doi.org/10.1111/1467-6419.00133

Jetter, M., Agudelo, A. M., & Hassan, A. R. (2015). The effect of democracy on corruption: Income is key. *World Development*, *74*, 286-304. Doi: https://doi.org/10.1016/j.worlddev.2015.05.016

Khraief, N., Shahbaz, M., Heshmati, A., & Azam, M. (2020). Are unemployment rates in OECD countries stationary? Evidence from univariate and panel unit root tests. *The North American Journal of Economics and Finance*, *51*, 100838. Doi: https://doi.org/10.1016/j.najef.2018.08.021

Lambsdorff, J. G. (2006). Causes and consequences of corruption: What do we know from a cross-section of countries. *International handbook on the economics of corruption*, *1*, 3-51. Doi: https://doi.org/10.4337/9781847203106.00007

Levin, A., Lin, C. F., & Chu, C. S. J. (2002). Unit root tests in panel data: asymptotic and finite-sample properties. *Journal of econometrics*, *108*(1), 1-24. Doi: https://doi.org/10.1016/S0304-4076(01)00098-7

Maria, N. S., Susilowati, I., Fathoni, S., & Mafruhah, I. (2021). The Effect of Education and Macroeconomic Variables on Corruption Index in G20 Member Countries. *Economies*, *9*(1), 23. Doi: https://doi.org/10.3390/economies9010023

McKeon, N., & Berron, G. (2020). Introduction to 'Reclaiming democracy from below: from the contemporary state capitalist system to peoples' sovereignty'. *Globalizations*, *17*(7), 1241-1264. Doi: https://doi.org/10.1080/14747731.2020.1783813

McMann, K. M., Seim, B., Teorell, J., & Lindberg, S. (2020). Why low levels of democracy promote corruption and high levels diminish it. *Political Research Quarterly*, *73*(4), 893-907. Doi: https://doi.org/10.1177/1065912919862054

Malanski, L. K., & Póvoa, A. C. S. (2021). Economic growth and corruption in emerging markets: Does economic freedom matter?. *International Economics*, *166*, 58-70. Doi: https://doi.org/10.1016/j.inteco.2021.02.001

Mohtadi, H., & Roe, T. L. (2003). Democracy, rent seeking, public spending and growth. *Journal of Public Economics*, *87*(3-4), 445-466. Doi: https://doi.org/10.1016/S0047-2727(01)00135-9

Montes, G. C., & Luna, P. H. (2021). Fiscal transparency, legal system and perception of the control on corruption: empirical evidence from panel data. *Empirical economics*, *60*(4), 2005-2037. Doi: https://doi.org/10.1007/s00181-020-01849-9

Nadpara, N., & Samanta, S. (2015). An empirical examination of the effect of corruption on health outcomes. *The College of New Jersey*, 1-26.

Nguyen, T. X. T. (2018). Corporate governance and conglomerate diversification strategy–evidence from Vietnam. *International Journal of Emerging Markets*, *13*(6), 1578-1596. Doi: https://doi.org/10.1108/IJoEM-10-2016-0260

Nur-Tegin, K., & Czap, H. J. (2012). Corruption: Democracy, autocracy, and political stability. *Economic Analysis and Policy*, *42*(1), 51-66. Doi: https://doi.org/10.1016/S0313-5926(12)50004-4

Nurudeen, A., & Waldemar Staniewski, M. (2019). Determinants of corruption in Nigeria: Evidence from various estimation techniques. *Economic research-Ekonomska istra ivanja*, *32*(1), 3052-3076. Doi: doi.org/10.1080/1331677X.2019.1655467

Pieroni, L., & d'Agostino, G. (2013). Corruption and the effects of economic freedom. *European journal of political economy*, *29*, 54-72. Doi: https://doi.org/10.1016/j.ejpoleco.2012.08.002

Plattner, M. F. (2015). Is democracy in decline?. *Journal of Democracy*, *26*(1), 5-10. Doi: 10.1353/jod.2015.0014

Puron-Cid, G., Reddick, C. G., & Ganapati, S. (2019). Public value of online financial transparency: Financial sustainability and corruption of public officials in the US state governments. *International Journal of Public Sector Management*, *32*(5), 467-488. Doi: https://doi.org/10.1108/IJPSM-03-2018-0073

Riyadi, B. S., Wibowo, B. R., & Susanti, V. (2020). Culture of Corruption Politicians' Behavior in Parliament and State Official During Reform Government Indonesia (Genealogical Study). *International Journal of Criminology and Sociology*, *9*, 52-62. Doi: https://doi.org/10.6000/1929-4409.2020.09.06

Rock, M. T. (2009). Corruption and democracy. *The Journal of Development Studies*, *45*(1), 55-75. Doi: https://doi.org/10.1080/00220380802468579

Rose, J. (2018). The meaning of corruption: Testing the coherence and adequacy of corruption definitions. *Public Integrity*, *20*(3), 220-233. Doi: https://doi.org/10.1080/10999922.2017.1397999

Saha, S., & Sen, K. (2021). The corruption–growth relationship: does the political regime matter?. *Journal of Institutional Economics*, *17*(2), 243-266.

Saha, S., & Ali, M. S. B. (2017). Corruption and economic development: New evidence from the Middle Eastern and North African countries. *Economic Analysis and Policy*, *54*, 83-95. Doi: https://doi.org/10.1016/j.eap.2017.02.001

Sandholtz, W., & Taagepera, R. (2005). Corruption, culture, and communism. *International Review of Sociology*, *15*(1), 109-131. Doi: https://doi.org/10.1080/03906700500038678

Saunoris, J. W., & Sajny, A. (2017). Entrepreneurship and economic freedom: cross-country evidence from formal and informal sectors. *Entrepreneurship & Regional Development*, *29*(3-4), 292-316. Doi: doi.org/10.1080/08985626.2016.1267806

Schumpeter, Joseph A., (1976). *Capitalism, Socialism and Democracy*, edisi ke-5, George Allen & Unwin (Publishers) Ltd, Sydney.

Song, C. Q., Chang, C. P., & Gong, Q. (2021). Economic growth, corruption, and financial development: Global evidence. *Economic Modelling*, *94*, 822-830. Doi: https://doi.org/10.1016/j.econmod.2020.02.022

Sparling, R. A. (2018). Impartiality and the Definition of Corruption. *Political Studies*, *66*(2), 376-391. Doi: https://doi.org/10.1177/0032321717722360

Watabaji, M. D., & Shumetie, A. (2021). Political Instability, Corruption and Enterprise Performance Nexus: Lessons and Policy Implications for Some Selected African Countries. *Journal of African Business*, 1-18. Doi: https://doi.org/10.1080/15228916.2021.1962156

Wang, P., & Yan, X. (2020). Bureaucratic slack in China: The anti-corruption campaign and the decline of patronage networks in developing local economies. *The China Quarterly*, *243*, 611-634. Doi: 10.1017/S0305741019001504

Widodo, W., Budoyo, S., & Pratama, T. G. W. (2018). The role of law politics on creating good governance and clean governance for a free-corruption Indonesia in 2030. *The Social Sciences*, *13*(8), 1307-1311.