THE DARK SIDE OF COOPERATION:

INTERNATIONAL ORGANIZATIONS AND MEMBER CORRUPTION

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Abstract

Political corruption is rampant in—and destructive to—many parts of the world. A growing number of international organizations (IOs) claims to address the problem by encouraging good governance norms and rules, such as anti-corruption standards and practices. Whether membership in IOs dampens corruption, however, is unclear. Our central argument is that the characteristics of IO membership determine both whether corruption is tolerated and the extent to which formal anti-corruption rules effectively combat the problem. First, groups of corrupt states are reticent to enforce good governance norms or rules against other IO members, rendering punishment for corruption incredible. Second, leaders may witness the value of corruption to their IO peers and learn to act the same way. Using a variety of data sources and estimation strategies, including new data on IO anti-corruption mandates, we demonstrate that (1) countries that participate in member-corrupted IOs are significantly more likely to engage in corruption themselves—and experience an *increase* in corruption over time—than are countries that participate in less corrupted IOs, and (2) this tolerance for corruption occurs even within IOs that have adopted formal anti-corruption mandates, rendering good governance rules largely cheap talk among organizations governed by corrupt principals.

Ideally, we should see a virtuous circle of benefits… Real life, however, is rarely so simple (European Commission).

Political corruption is a severe obstacle to economic development and good governance worldwide.[1] Corruption directly affects the quality of governance, including how governments are chosen, supervised and replaced, their capacity to create and implement effective policy, and the extent to which citizens and the state respect the institutions that manage interactions among them. Among its many harmful effects, corruption adversely affects economic performance, including economic growth and local government investment (Dreher and Siemers 2009). It deters direct foreign investment, exacerbates income inequality, and can impede—or skew—trade and aid (Gupta et al. 2002).

International organizations (IOs) have put themselves at the forefront of efforts to combat the problem. A growing number have crafted formal rules that should in principle impede corruption within organizations and among their members (Posadas 2000). These rules, which we refer to as mandates, include the 1999 OECD Anti-Bribery Convention making the bribery of foreign public officials involved in international business transactions a crime—called a 'turning point' for the movement (Glynn et al. 1997, 17); the 1999 Council of Europe Group of States against Corruption (GRECO), which monitors compliance with the organization's regulations; and the 2006 African Union Convention on Preventing and Combating Corruption, which addresses corruption in both public and private sectors. Such mandates, and others like them, are heralded by many as essential toward fighting the 'cancer of corruption' (Wolfensohn 1996).

Despite these developments, there is substantial debate about the relationship between international integration and member state corruption and the extent to which anti-corruption rules alleviate the problem. Do IOs impede corruption among members? And has the movement to codify anti-corruption norms into formal rules made any difference?

We argue—and substantiate in several steps—that the characteristics of IO membership influence whether corruption is tolerated in member states *and* the extent to which formal anti-

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[1] The OECD estimates the costs are greater than 5% of global GDP (OECD 2014).

corruption rules effectively combat the problem.[2] Depending on the makeup of the organizations, some IOs—those comprised of corrupt members—not only tolerate but also exacerbate the abuse of power by their membership, and formal rules designed to deter corruption are largely cheap talk.

First, we explain how international integration can generate opportunities and incentives that "create new patterns of corrupt behavior at the same time that old patterns are at work" (Warner 2007, 9). The participation in many international organizations increases openness, coordination and competition, and results in the decentralization of policy and infusion of new resources. This can incentivize—and even pressure—politicians and businesses to deliberately tolerate corruption. These opportunities and incentives can exist on their own, but they are reinforced by organizational learning. Repeated interactions between leaders and their agents can generate personal connections. IOs provide venues for those interactions through the conduct of frequent meetings and prolonged contact, communication and negotiation that can shape preferences and interests. Through repeated interaction, the sharing of information, and the creation of entrepreneurs, political elites can sway their IO peers into believing that a certain policy or action is both advantageous and the norm. Our claim is that when surrounded by a culture of corruption, elites become convinced that political misconduct is acceptable and even desirable. Elites may apply at home what they have witnessed among their IO peers, and corruption spreads like a 'virus.'

Second, we contend that the extent to which these opportunities and incentives for corruption translate into illicit behavior is partly a matter of enforcement, or better: the lack thereof. To deter corruption, IO membership must credibly decrease a country's gains from corruption by increasing the probability of getting caught and by imposing greater penalties. This is why many IOs have adopted formal anti-corruption mandates. Groups of corrupt states, however, are reticent to enforce such norms or rules against themselves or other member states. The effectiveness of anti-corruption mandates is conditional on the membership that is ultimately empowered to enforce—or ignore—the rules. If such mandates have any deterrent effect against the spread of corruption at all, that effect will manifest in organizations already composed of members willing to enforce the rules. Among the already-corrupt, they are cheap talk. This phenomenon is *not* the result of

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[2] For related arguments concerning democracy and human rights, see Pevehouse 2002, 2005 and Greenhill 2015.

corrupt states selecting into weak organizations that espouse no formal rules. To the contrary, corrupt groups of states are just as likely to adopt formal anti-corruption policies as other states; they simply turn a blind eye to enforcement.

Third, even though opportunity and learning, alongside a reticence to enforce anti-corruption rules, may foster tolerance for corruption within an organization, they are not sufficient conditions for corruption to permeate domestic politics. Escalation is not inevitable. Leaders must not only believe that their misconduct will go unnoticed or unenforced by international peers, but also by their local societies. We analyze the extent to which both the presence of IO anti-corruption mandates and well-functioning domestic legal and judicial institutions affect the persistence, and spread, of political corruption among IO member states.

We employ data on government participation in IOs over the 1986-2013 period and examine how changes in a country's exposure to member-corrupted IOs over time—including new data on anti-corruption mandates—affects changes in their levels of political corruption at the national level. Our analysis, which brings together the study of international organizations and state-level corruption to shed light on a key international source of the problem, provides support consistent with our argument. The effects of international cooperation generally, and of formal IO policies to promote anti-corruption norms specifically, depend crucially on who is cooperating. Even though IOs are created, in principle, to advance better governance, their makeup can lead to harmful outcomes in their member states that formal rules and regulations cannot stop. The implications reveal a darker side to international cooperation that rule making does not solve.

NATIONAL CORRUPTION AND INTERNATIONAL ORGANIZATIONS

Political corruption is the misuse of public office for private gain entailing dishonest or fraudulent conduct by those in power. The presence of corruption almost always entails the co-existence of three factors (Jain 2001). First, an actor must have discretionary power over the allocation of resources. This often includes the ability to design and administer rules and regulations. Second, the actor must have the ability to control and disperse 'capturable' rents. Third, there must be a reasonably low probability of detection or penalty. An actor need not be a high-level authority to engage in corruption; these three factors can converge at nearly any level of politics.

There is a long tradition of scholarship seeking to explain the variation in political corruption at the state level. That tradition has focused on the domestic origins of the problem, including market structure, income, wealth and economic freedoms (Graeff and Hehlkop 2003), the nature

of domestic political institutions, and cultural and social factors like religion and historical tradition. Recently, scholars have begun to study the international factors that could influence the domestic prevalence of corruption. Among those factors thought to dampen corruption are open trade and competition (Gerring and Thacker 2005; Sandholtz and Koetzle 2000), foreign direct investment (Larrain and Tavares 2004) and global integration (Sandholtz and Gray 2003).

Scholars are at odds theoretically and empirically about the relationship between international integration and state corruption. Among the few empirical studies that systematically explore the relationship, most (to our knowledge) conclude that membership dampens the likelihood that public officials embedded in IOs will misuse their power for private gain.[3] In an early work analyzing 153 countries from 1997-98, Sandholtz and Gray (2003) find that greater degrees of international integration, measured by a state's membership in IOs, lead to lower levels of state corruption. This finding is echoed in a working paper by Pevehouse (2010), who finds that membership in regional economic IOs corresponds to lower state corruption, as does membership in organizations that have mainly honest members. Aaronson and Abouharb (2014), meanwhile, make the specific case that WTO membership corresponds to better domestic governance more broadly. By sharp contrast, Warner (2007) presents a devastating critique of corruption in the EU—especially since its Eastern enlargement—staking the claim through detailed anecdotes that EU membership has not only failed to reduce corruption in member states but has exacerbated, and institutionalized, the problem.

<div align="center">BREAKING THE RULES</div>

A large literature explains they ways in which IOs serve many beneficial purposes, from the reduction of transactions costs that ease the pains of cooperation to the creation of credible commitments that help to lock in a liberal world order. By some accounts, "countries that are more integrated into international society are more exposed to both economic and normative pressures against corruption," which leads a country to "lower its level of corruption" (Sandholtz and Gray, 2003, 761). Participation in IOs, and the interactions associated, instill elites with both informal norms and in some cases formal rules against corruption that spill over to politics more generally. Moreover, IO members that engage in corruption may be more readily punished by their

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[3] See Bauhr and Nasiritousi (2012) for a theoretical treatment of how IOs may (or may not) promote quality of governance.

organizational peers, denied financial or other benefits for their indiscretions (Sandholtz and Gray, 2003).

Our argument, by contrast, is that the membership characteristics of a country's portfolio of IO memberships shape both the likelihood that corruption is tolerated and the extent to which anti-corruption mandates mitigate the problem. Depending on the makeup of the organization, IOs can incentivize rather than deter the abuse of power, no matter what the official rules say.

THE ACTORS

The actors central to the argument are the government representatives that participate in both international negotiations and politics at the domestic level. Membership in IOs requires participation by high, mid and many lower-level political elites. Examples are ambassadors, diplomats and heads of state but also their representatives, staff and agents who attend regular meetings, engage in frequent in-person and now virtual dialogue and negotiation, and participate in decisions that can ultimately affect millions of people at home. In the EU, domestic politicians are highly enmeshed in European-level negotiations. The ministers of national governments meet on a regular basis in the Council of the European Union to discuss legislation, senior ambassadors meet daily to discuss EU policies, and heads of states meet at least six times a year in the context of the European Council. In preparation for these meetings, their many political aides and agents meet even more frequently; behind the scenes the bureaucracy is thick with interactions. But even in less integrated organizations, such as regional trade or development organizations, involvement of high, mid and low-ranking government actors in organizational decision-making is frequent. In the Association of Southeast Asian Nations (ASEAN)—an organization that is oftentimes seen as a counter model to the highly formalized EU—heads of states meet twice a year at a summit to discuss and resolve regional issues. In addition to the formal summit meetings, political leaders meet in several informal talks, including the East Asia Summit, the Commemorative Summit as well as other regular meetings such as the ASEAN Ministerial Meeting and smaller committee meetings usually attended by ministers instead of head of states, as well as their many go-betweens, proxies and subordinates.

Whether they are heads of states, cabinet ministers or their staff, these actors almost always meet the three criteria that must be present for corruption to emerge domestically. They are, by definition, powerful in some capacity at home—they run or head entire bureaucracies filled with many agents, or they are agents within these powerful bureaucracies with local connections. While

their degree and form of power vary, many possess some form of discretionary influence over the allocation of resources, including the ability to design, administer, and implement rules and regulations. Many also possess the power to control and disperse—or to influence those who control and disperse—'capturable' rents at home, including to local politicians and business. Ambassadors to IOs (and their staff), like other diplomats, often wield considerable authority to shape their government's policies on matters as far ranging as war, trade and aid. Meanwhile, senior ministers and heads of state and their many agents wield influence over their country's regulatory and redistributive policies. For example, the individuals who meet to discuss issues of international finance in the regular ASEAN Finance Ministers Meetings are the same individuals who head their countries' finance ministries at home to shape and implement domestic policies. And the individuals who decide over corruption policies in the EU in the Justice and Home Affairs Council use their positions as justice ministers in national cabinets to implement national policies on the same issues. Even lower level politicians and bureaucrats in these institutions that tend to every day operations often have key political and business ties at home.

Our claim is that IOs with highly corrupt membership are likely to act differently in several ways than IOs with less corrupt principals, which affects the toleration and spread of corruption among members regardless of the official rules. We elaborate our argument in three steps, explaining (1) how these organizations generate incentives and opportunities for corruption, (2) why they are unlikely to monitor or sanction corruption, no matter what their own rules say, and (3) finally, why escalation is not inevitable.

<p align="center">*THE CORRUPTION "VIRUS"*</p>

A substantial literature documents how IOs act like social clubs that teach (or socialize) members to accept and abide by the norms of the organization (Hooghe and Marks 2001; Pevehouse 2005; Checkel 2005; Goodman and Jinks 2013). Repeated interactions between leaders create close personal connections (Lewis 2005). IOs provide venues for those interactions through the conduct of frequent meetings and prolonged contact, communication and negotiation that can shape preferences and interests (Finnemore 1996). This sense of community and identity may develop consciously or unconsciously, as actors adopt the culture and policies that look similar to their peers (Meyer et al. 1997). In this way, IOs can act as a conduit for the creation and diffusion of norms and practices that political elites eventually internalize (Johnston 2001).

While that argument has most often been applied to the diffusion of "positive" norms such as democracy and human rights (Pevehouse 2005; Greenhill 2015), it applies in kind to norms contesting those practices. Scholars in the field of organizational behavior have widely documented a contagion effect for corruption at the workplace. Their insights inform how corruption spreads through organizational networks broadly defined. Newcomers to an organization can be taught to accept and perform corrupt practices, especially if the behavior is pervasive and tolerated by the prevailing culture in the organization (Ashforth et al. 2008). Corruption "dynamically spreads from an individual or group to organizational and even institutional and international levels," often quickly (Forsberg and Severinsson 2013, 6). In organizations where goals are tied to resource procurement and/or financial or political success, corruption can spread like a "virus" by incentivizing people to engage in, and rationalize, amoral reasoning (Zyglidopoulos and Fleming 2009). Leaders play a key role in institutionalizing the process. They do not even have to engage in corruption themselves to facilitate the problem; they can do so by rewarding, ignoring or enabling the behavior of their peers or agents (Ashforth and Anand 2003). This helps to explain why corruption is contagious both within organizations and across countries (Becker et al 2009).

In the field of criminology, contagion plays a crucial role in promoting corrupt values, beliefs and behaviors, which tend to be learned through interactions among "intimate personal groups" (Sutherland 1949). A group context amplifies these interpersonal dynamics (Ashforth and Kreiner 2002), which explains why corruption can escalate very quickly, from a small act to a major problem inside an organization. "Over time more organizational members will be persuaded, enticed, coaxed, threatened or socialized to join in" (Fleming and Zyglidopoulos 2008, 841-42). In the same way that obesity, smoking and substance abuse spread quickly through social networks (Fowler and Christakis 2009), so too can the incentive and pressure to abuse power.[4] Once corruption becomes normalized in an institution, it is extremely difficult to uproot (Nieuwenboer and Kaptein 2007).

A well-documented example of organizational learning through participation in IOs is the way in which national officials have become socialized into the culture of the European Union's Committee of Permanent Representatives, internalizing group-standards which in turn have

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[4] On networks more broadly, see Hafner-Burton et al. 2009.

affected their bargaining behavior (Lewis 2005, Schneider 2009, 2019). Very similar processes occur beyond Europe as well, with ASEAN being a prominent example (Johnston 2003). Obydenkova and Libman (2019, 47), citing the Commonwealth of Independent States (CIS), make a similar argument related to autocratic regional organizations, which—though "extremely difficult to observe empirically"—act as "focal points" that facilitate "the exchange of information and socialization leading to mutual acceptance of authoritarian practices." Learning can also occur across organizations. Most states hold membership in multiple organizations, and it is this broader environment of interactions between elites that shapes how leaders think about their interests (Bearce and Bondanella 2007). When there are few constraints or ramifications, and possibly rewards, for the adoption of a norm within an institution, ideas—even those illegal or immoral—can fester and spread.

For corruption to spread from an IO into the domestic political arena, opportunities for transmission must exist; planting the idea is not enough. These opportunities follow the same logic of the organizational "virus" outlined above. Just as corruption can spread horizontally within an organization, between interacting elites at various levels of a hierarchy, it can spread vertically through an elite's personal networks outside the organization, and through institutions at home. The only requirement is contact between elites operating at some level of the IO bureaucracy and elites operating within the country.

Perhaps the most publicized examples of this viral model target the United Nations. Recently, a UN task force documented widespread corruption in the management of hundreds of millions of dollars for peacekeeping-related contracts for food, fuel and other materials. That task force concluded that "corruption has spread from U.N. headquarters—where three officials have been convicted in bribery schemes—to the far reaches of its growing peacekeeping efforts," identifying rampant corruption in Congo and Haiti (among other countries) tied directly to the UN's missions and staff (Lynch 2007). According to reports, corrupt UN staff who were well connected to local mission operators, suppliers, politicians and contractors took bribes, upper UN management turned a blind eye, and corruption spread from headquarters into country missions (UNGA 2007). These allegations mirror those against the UN's Oil-for-Food program, another massive scandal that led to charges of "corrosive corruption" from the highest leadership—including the UN Secretary General and the executive director of the program—to members of the Iraqi government and business community, including thousands of firms that paid bribes to participate in the program.

Billions of dollars went unaccounted for, in part due to "a grievous absence of effective auditing and management controls" by the UN (Volker et al. 2005).

This is by no means a UN problem. Warner (2007) provides another well-documented (though lesser known) example of how corruption emerges and spreads within IOs to member states. Challenging the common assumption that international integration in general (and EU integration in particular) should undermine corruption, Warner explains how integration has instead fueled the problem. Corruption is sticky in part because old behaviors and norms embracing corruption, even within the EU member states, sidetrack new rules and efforts to combat the problem. Worse, corruption is not just sticky; it spreads among member states:

> "If the unspoken norm in a country, region or economic sector has sustained corrupt practices, then new rules and institutions will be affected by those old norms. The best information that individuals, firms, politicians, and bureaucrats have about how others will act—information that inevitably affects their own decisions about how to act—is informed by preexisting codes and norms. For instance, if a country, economic sector, or governing body has a reputation for corruption, then new entrants will have an expectation that they need to operate in that system. They will hire locals with the appropriate knowledge and connections… If the norm is corruption, they will expect the same, even in the application of a new rule. There may be some uncertainty as a result of the new rule, but the links among individuals (both firms and politician) in corruption are surprisingly resilient. In such situations, the expectations of enforcement and punishment, or, in a word, risk, are low" (Warner 2007, 9).

Integration through IOs, Warner argues, provides fresh opportunities—and pressures—for political, bureaucratic, and private elites to engage in nefarious behavior that seep into the national arena. Cooperation creates new market opportunities, increases economic and political competition, and supports policy coordination. Together, increasing pressures toward privatization and the infusion of financial resources generate opportunities for corrupt transactions, create a culture of tolerance, and provide incentives to stamp out whistle blowers. Warner (2007) documents a treasure trove of examples in the context of European integration. She explains how close personal ties between Helmut Kohl and Mitterrand fostered directly through European institutions contributed to the Elf-Leuna oil scandal, a massive corporate crime that landed senior

managers in jail (Warner 2007: 89); how Eurostat, the EU's statistical agency that allowed Greece to falsify its numbers in order to join the European Monetary Union, itself was involved in allegations of fraud and black accounts with contractors at the domestic level; and how privatization in Germany resulting from European integration incentivized politicians' to take new bribes for awarding contracts in areas they held power, such as garbage collection—something that has also occurred in Italy, where politicians welcomed the influx of EU development subsidies as kickbacks for friends and firms (Warner 2007: 9).

While corruption can—and certainly does—exist inside institutions with member states such as those in the EU (it exists in some degree everywhere), it is even more likely to persist and spread among IOs composed of more highly corrupt members.[5] In this sense, the EU is a dire warning: if corruption can fester and spread among the membership there, it can fester and spread anywhere. What matters for the transmission of corruption in the viral model is not where the idea for corruption comes from—inside or outside the state—but that the idea is transmitted into the domestic political arena and spreads between actors in a network. Whether the focus is on Italy (Huberts 1995), Nigeria (Osobaa 1996) or UN mission countries, there is a large literature documenting the ways in which corruption, once introduced, goes viral within the state (Forsberg and Severinsson 2013). Its spread only requires that actors have some discretionary power over resources—or over those who do—and the ability to control and disperse some 'capturable' rents. It does not require that a state's head leader or top IO ambassador is herself engaged in corruption (Ashforth and Anand 2003); it is enough that IO agents at any level with political and business relationships inside their own state transmit the message. This could include low level bureaucrats who can make deals with local businesses, government agencies, cartels or other actors with leverage over resources.

At the state level, this shift in a country's behavior may become noticeable shortly after their representatives begin to participate in corrupted IOs—decisions by those in power to engage in dishonest or fraudulent conduct can be nearly instantaneous—and they may occur over time, as more information about the likelihood of impunity for engaging in corruption accrues and familiarity with the organizational culture sets in. This argument is broadly consistent with the

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[5] The EU case also illustrates how high-level instances of corruption can spread within IO member states that are considered to perform reasonably well on corruption metrics more generally.

possibility that political leaders in a state may also purposively seek out membership in and connections to corrupt IOs as a way to legitimate—or perhaps diffuse attention to—their own corrupt practices. Doing so would allow corruption to persist domestically while activating the additional incentives and pressures arising from the viral model outlined above that lead to its spread.[6]

> *Hypothesis 1: A country with an IO portfolio composed of corrupt membership is likely to witness an increase in the propensity to engage in national corruption.*

A BLIND EYE

IOs may not only increase pressures and incentives for corruption amongst its membership, but they can also decline to provide enforceable standards against the abuse of power. It is no surprise that some organizations tolerate corruption. It may seem plausible that groups of corrupt states would avoid anti-corruption rules in the first place. This is not the case. To the contrary, many IOs officially adopt anti-corruption mandates. One example is the Southern African Development Community (SADC), an organization whose membership has pervasive levels of corruption,[7] yet adopted a protocol in 2001 that explicitly claims to seek regulatory cooperation in matters of corruption among member states. One of the stated purposes of the Protocol is "the prevention, detection and prosecution of corruption in the public and private sector" (SADC 2001). On paper, the protocol is impressive and includes mechanisms to promote public education and awareness of the problem and to enforce good governance standards within some of the world's most corrupt countries.

Despite these rules, the SADC membership—and its headquarters—are riddled with allegations of corruption and standards are not being implemented. While a number of corruption cases are reported, few are prosecuted or result in consequences for the accused (Carr 2009). Most SADC members have shown little to no improvement in their corruption levels since the adoption of the Protocol; some have shown a clear decline in their rankings (Transparency International). The SADC Lawyer's Association, a regional voluntary association dedicated to the promotion of

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[6] We thank a reviewer for raising this point.

[7] Members include states like Angola, ranked 167th out of 180 states for corruption by Transparency International in 2017, the DRC (ranked 161st), Zimbabwe (ranked 157th), Madagascar (ranked 155th) and Mozambique (ranked 153rd).

good governance in the region, describes the protocol's failures as not only a lack of independence but a "lack of true political will among the leadership in all SADC countries to address the problems that exist" (deSousa 2015). To date, there appears to be little cost to the membership for having adopted an anti-corruption regime that appears to be cheap talk, and corrupt politicians remain broadly in power. As we will show below, IOs with highly corrupt members are just as likely to adopt anti-corruption mandates as are IOs with less corrupt membership. The difference lies in the enforcement of these mandates.

There is widespread belief, certainly within the policy and legal communities that adopt them, that these standards mean something. Yet their value, we argue, depends on the membership adopting them. IOs with highly corrupt members—even when they adopt anti-corruption mandates—are unlikely to genuinely invest in the monitoring of corruption, and thus unlikely to independently detect or draw attention to the presence of the problem. Leaders in these types of organizations are also unlikely to devote resources to enforcement or take punitive action against corruption, which reduces the reputational and material costs associated with the abuse of power. When a corrupt leader is enmeshed in interactions with other corrupt leaders, he is not likely to pressure his counterparts to enact, and implement, policies against corruption.[8] The leader likely turns a blind eye because he too acts in ways that he neither wants to call attention to nor discipline. Current politics inside SADC countries are a case in point. The result is scant enforcement among members, even in the presence of formal anti-corruption mandates, which are essentially costless to adopt and break in these institutions. This may help explain why so many corrupted IOs adopt such rules to begin with: no one is punishing them for breaking the rules and they certainly are not punishing themselves.

Such institutional practices of turning a blind eye to corruption despite the rules are hardly an African problem. The Organization of American States (OAS) operates in similar ways. The organization's charter formally advocates a broad range of good governance principles including the effective exercise of representative democracy, the elimination of extreme poverty and the promotion of social justice (Article 3). The organization adopted its first legal rules specifically

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[8] This is consistent with Pevehouse 2002, who argues that IOs will no longer help to foster democracy if external guarantees and threats are not credible, and Hafner-Burton 2005 who makes a similar case for human rights.

against corruption in 1996 and created a formal mechanism to evaluate the fulfillment of those rules in 2001. With regards to enforcement of its own principles, however, the OAS has largely disregarded its members' policies, limiting its enforcement actions to the suspension of membership only in the extreme context of political coups (Duxbury 2011). According to Transparency International, even though more Latin countries are adopting laws or joining initiatives to reduce corruption on paper, massive corruption schemes involving powerful elites remain prevalent and punishment is scarce (Transparency International 2014).

We therefore expect:

> *Hypothesis 2: A country with an IO portfolio composed of corrupt membership is likely to witness an increase in the propensity to engage in national corruption even in the presence of anti-corruption mandates.*

CORRUPTION CONTAINMENT

Despite these worrying predictions, the escalation of corruption domestically is not inevitable. For corruption to be tolerated or spread there must be a reasonably low probability of detection and penalty. We have argued, above, that international anti-corruption mandates are *not* the answer because IOs with corrupt members are tolerant conduits for corruption by eschewing the enforcement of the rules. At the domestic level, by contrast, it is well understood that institutions that monitor and sanction the illicit behavior of government and business should help, if not fully ameliorate, the problem (Rose-Ackerman and Palifka 2016).

It is more difficult to abuse power, and transmit corruption, in countries that have already developed highly stable institutions able (and willing) to detect and punish corruption. The power of local enforcement institutions—particularly law enforcement and courts—to hold leaders accountable for political misconduct is particularly relevant. Stable and independent law enforcement and courts are more likely and motivated to monitor, detect, and sanction corrupt practices. They raise the domestic costs of engaging in corruption and should help deter (or at least dampen) the capacity to engage in this behavior domestically. That does not mean that corruption will not occur in these locations (Kubbe and Engelbert 2018); we only expect its spread to be less likely or pervasive.

Hypothesis 3: A country with an IO portfolio composed of corrupt membership is less likely to witness an increase in the propensity to engage in national corruption in the presence of strong monitoring and enforcement institutions at the national level.

We examine the empirical relationship between a country's exposure to member-corrupted IOs—with and without anti-corruption mandates—and their future levels of corruption. Our data set builds on the Correlates of War IGO Data Set Version 3.0, and covers membership of over 190 countries in 317 active IOs—such as the EU and the OAS discussed above—for the 1986-2013 period (Pevehouse et al. 2015).[9] Following Pevehouse's (2002, 2005) seminal work on the spread of democratization, we focus our analysis on regional organizations because these types of institutions tend to operate with higher levels of interaction among leaders of neighboring states that often share common elements of language, culture and history. These frequent interactions are central to the operation of the theoretical mechanisms through which corruption operates in a network. We demonstrate that the results are robust to using all international organizations in the data set.

Dependent Variable

We measure our dependent variable as a country's average level of *Corruption* in any given three-year period. To measure corruption, we rely on corruption data from the International Country Risk Guide (ICRG), which offers an assessment of the political risks related to corruption within a country's political system. These risks include financial corruption such as demands for special payments and bribes, 'favor-for favors,' excessive patronage, job reservations, nepotism, secret party funding, and suspiciously close ties between politics and business. We rescale the original variable such that our dependent variable ranges from 0 (low corruption) to 1 (high corruption).[10]

Scholars argue that it is difficult to analyze effects of corruption in time-series analysis because of the slow-changing nature of corruption and instead call for the use of periods or single cross sections (Treisman 2007). One disadvantage of using a single cross section is that one either has to use the entire sample period under analysis (where averaging variables over a 30-year period is

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[9] All regional IOs in the data set are listed in Appendix A.

[10] In Appendix H, we use the objective bribery index of the World Bank as well as alternative perceptions-based measures and find that the results are robust.

problematic for many reasons) or pick particular time periods (where the choice of the period is somewhat arbitrary). To balance this trade-off, we begin by averaging our annual data over three-year periods, which allow sufficient time for corruption to spread and become perceptible, while not lumping long-term historical events into one category. Because corruption may theoretically spread in both the short and the long term, we show that the core results are robust to estimations that analyze five-year periods, a single cross-section, as well as annual data with lags (Appendix K).

Independent Variable

Our main explanatory variable is the "average weighted IO corruption" of a country in a network of organizations with different levels of corruption among member states. To calculate *Average IO Member Corruption*, we proceed in three steps:

1) We calculate for each IO the average level of corruption for all full members in each year (excluding the corruption score of the country under observation). [11] One important question is whether our argument depends on the entire membership or only on a subset of members. It is commonly accepted in the literature that more powerful IO members have greater ability to influence IO decisions, including monitoring and enforcement, and they may also have greater leverage to influence the culture of the organization. For this reason, we weight country influence by GDP (logged): the corruption scores of larger countries are more influential in the calculation of the average corruption score within each IO than the corruption scores of smaller members. Since learning could be driven by the entire membership, we also present regressions with unweighted scores.

2) For each country and year, we average the corruption score of individual IOs across all organizations in which the country is a full member.

3) We average the data over three-year periods, corresponding with the periods of the dependent variable.

Average IO Member Corruption ranges between 0 (low corruption) and 1 (high corruption), with a mean of 0.49. The measure varies both across countries and over time due to changing memberships in IOs and changes in other countries' corruption scores.

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[11] Similar to our dependent variable, we use the re-scaled corruption score that ranges from 0 to 1 in those calculations.

Figure 1 illustrates this for Thailand. The round dots provide information on the country's *Average IO Member Corruption,* while the diamonds indicate Thailand's domestic *Corruption* score for each year. The graph illustrates how *Corruption* and *Average IO Member Corruption* co-vary over time. The correlation is high (p=0.7) and significant. This covariation is a result of both Thailand's accession to IOs and the changing membership within its existing IOs. During the 1990s, Thailand participated in a network of less corrupted IOs (represented by lower *Average IO Member Corruption* scores), including organizations such as APEC and the Asian Development Bank. During the first decade of the 2000s, however, Thailand's associations changed noticeably in character. It joined new organizations with more corrupted members—such as the International Tripartite Rubber Organization (ITRO) in 2001—and saw an increase in corruption by its existing IO member peers, such as in ASEAN, APEC, and the Asian-Oceanic Postal Union (AOPU). This shift toward greater *Average IO Member Corruption* in the network is in close sync with a worsening of the country's *Corruption* scores at the national level. These changes in national *Corruption* tend to lag behind changes in the country's *Average IO Member Corruption* score for about a couple years. This time structure is well reflected in our main model, which uses three-year periods.

Control Variables

We control for potential confounding influences that are commonly cited in the literature seeking explanations for corruption (e.g. Sandholtz and Gray 2003; Treisman 2007; Pevehouse 2010). *Democracy* is measured as the level of democratic quality using Polity IV data. Democracy is generally thought to dampen corruption. *Regime Durability,* also drawn from Polity IV, is measured as the number of years that any given regime survived (Marshall and Jaggers 2003). We also control for the level of economic development, economic growth, and trade openness. We measure the level of economic *Development* as the log of per capita GDP of a country in any given year in constant 2005 prices and *Economic Growth* as the annual growth of per capita GDP in percent (Gleditsch 2002). *Trade Openness* is the sum of a country's exports and imports, divided by its GDP (Barbieri and Keshk 2012).

The effect of *Average IO Member Corruption* could be driven by regional diffusion that has little to do with IO membership (Becker et al. 2009). We thus control for the average corruption in a country's geographic region to ensure that our institutional findings are not an artifact of the

regional *Diffusion* of corruption. In our main models, we measure *Diffusion* as the average corruption of countries in the same region (weighted by a country's economic size). We demonstrate that the results are robust to using the weighted average corruption of countries that are contiguous (countries that either share a land boundary or a river as well as countries that are divided by no more than 150 miles of open water), and we also use unweighted measures for both variants. We include regional corruption in our main models because it correlates most highly with our main explanatory variable, which renders the test in the main models more conservative.

All control variables are averaged across three-year periods for the main estimations. We report descriptive statistics for all variables in Appendix B.

Model Specification

The nature of our data—time-series cross-sectional—suggests the possibility of heteroscedasticity and serial correlation. Indeed, the time independent country effects are significant in the regression and the results of the Hausman test suggests that alternatives would produce inconsistent and biased coefficients. We thus estimate a panel model including fixed effects (and only use within-country variation to identify effects). The fixed effects estimator controls for unobserved country heterogeneity that is constant over time. Whereas the fixed effects estimator reduces concerns about omitted variables bias and more closely approximates our theoretical argument about changes in country corruption over time, it significantly reduces interesting variation (corruption scores do not change dramatically over time). Our main estimations use the more conservative fixed effects estimator, but we also report a random effects model in the main table.[12] The main model is specified as

$$Y_{it} = \alpha + \beta E_{it} + \gamma X_{it} + v_i + u_{it}, \tag{1}$$

where Y_{it} denotes the extent of *Corruption* for each country-year, E_{it} is the variable for *Average IO Member Corruption*, X_{it} is a vector of control variables, α is the constant, v_i are fixed country effects, and u_{it} is the error term. The coefficients for E_{it} and X_{it} are denoted by β and γ respectively. We use robust standard errors to deal with problems of heteroscedasticity, and we include a time trend.

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[12] We also estimated all other models in the paper and the appendix using random effects. The main results are robust to the change in model specification.

In the appendix, we discuss and present the results of a number of robustness checks, including lagged dependent variables model, alternative fixed effects models, GMM models to deal with endogeneity concerns, additional control variables, alternative corruption and diffusion measures, as well as different time periods.

<div align="center">EMPIRICAL RESULTS</div>

Table 1 presents the results of our analyses designed to test Hypothesis 1. Model 1 is our main model on the full sample, which includes the entire set of control variables discussed above. Model 2 uses random instead of country-fixed effects. Model 3 estimates the main model including a one-period lag of *Average IO Member Corruption*, while Model 4 estimates the main model on the unweighted measure of *Average IO Member Corruption*. The models fit the data very well. Highly significant F-tests and the reasonably large R^2 across all model specifications indicate that together the variables explain a substantial amount of variation in the data. The likelihood that they jointly do not exert any effect on national corruption is extremely low.

Table 1: The Effects of IO Corruption on National Corruption, 1986-2011

	(1)	(2)	(3)	(4)
	Main	RE	Lagged IV	Unweighted
Avg IO Corruption	0.902***	0.826***	0.253**	0.111***
	(0.151)	(0.110)	(0.128)	(0.025)
Regional Diffusion	-0.009	-0.109	0.093	-0.063
	(0.099)	(0.075)	(0.085)	(0.094)
Democracy	-0.004*	-0.004***	-0.005*	-0.006**
	(0.002)	(0.002)	(0.002)	(0.002)
PC GDP (log)	-0.017	-0.010	-0.014	-0.010
	(0.036)	(0.013)	(0.035)	(0.036)
PC GDP Growth (%)	0.001	0.001	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)
Trade Openness	0.000	-0.001	-0.000	-0.001
	(0.004)	(0.003)	(0.004)	(0.004)
Regime Durability	-0.001	-0.001**	-0.000	-0.001
	(0.001)	(0.000)	(0.001)	(0.001)
Time Trend	0.010**	0.013***	0.022***	0.014***
	(0.004)	(0.004)	(0.004)	(0.004)
Constant	0.087	0.121	0.316	0.851***
	(0.304)	(0.142)	(0.292)	(0.273)
F/Wald-Test	18.400***	510.5***	17.178***	17.542***
R^2	0.314	0.571	0.276	0.260
Observations	1093	1093	975	1093

<div align="center">DV: National Corruption
Standard errors in parentheses
* p<0.10, ** p<0.05, *** p<0.01</div>

Turning to the substantive effects, we find support for the first observable implication of our argument (Hypothesis 1). The level of *Average IO Member Corruption* is positively and significantly correlated with a country's change in corruption score. A one percent increase in a country's *Average IO Member Corruption* score—representing an increase in their association with a network of highly corrupt IOs—is associated with an almost one percent increase in their national *Corruption* score. Going back to the Thailand case, our model predicts Thailand to have a corruption score of 0.55 in the period before it joined ITRO in 2001. After joining this IO with relatively corrupt membership, the prediction increases to 0.62 (holding everything else at the mean). This predicted increase in national corruption mirrors its actual experience (illustrated in Figure 1). At the same time, it goes hand in hand with an increase in Thailand's embeddedness in corrupt IOs (with Avg IO Corruption increasing from 0.66 in the period before 2001 to 0.73 in the period after 2001).

The effect is expectedly smaller but still significant when we include a one-period lag of *Average IO Member Corruption*, thereby indicating that the effect persists in a six-year framework (Model 3).[13] The effect is also robust to using an unweighted measure of *Average IO Member Corruption* (Model 4), and is again smaller, in line with our expectations. Overall, *Average IO Member Corruption* exerts a significant effect on national corruption independent of any regional diffusion trend or whether the main explanatory variable is averaged, weighted or lagged.

The findings for the control variables in the main models are largely consistent with the existing literature. *Democracy* has a negative and significant impact on corruption; as countries become more democratic, they also tend to become less corrupt. Unexpectedly, *Regional Diffusion* does not affect national corruption, at least when controlling for *Average IO Member Corruption*.[14]

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[13] The effect of *Average IO Member Corruption* could also depend on the heterogeneity of IO members in respect to their corruption scores. We created a measure of the average standard deviation of corruption scores within each IO, averaged over all IOs a country participates in. We estimated an interaction model with this variable, but the results indicate that *Average IO Member Corruption* is independent on the level of variation of corruption amongst members. Results are available from the authors.

[14] The coefficient on *Regional Diffusion* turns positive and significant when we exclude *Average IO Member Corruption*. It is also significant in some of the robustness checks, especially using other operationalizations of the concept, but it never affects the effect of our main variable.

The time trend indicates an increase in national corruption over time. The null (or non-robust) findings on the other indicators may reflect the conservative specification using fixed effects and a time trend, which does compress the variation. For example, in the random effects specification *Regime Durability* becomes significant, though not robustly so across different specifications.

<p style="text-align:center;">*The Growth of Average IO Member Corruption*</p>

Whereas Hypothesis 1 pertains to the effects of *Average IO Member Corruption* in highly corrupted networks, it could be that the observed effect is driven not by an increase in corrupted participation but by a decline in *Average IO Member Corruption* (toward a network characterized by less corruption). Our current operationalization allows us to analyze whether *Average IO Member Corruption* and national corruption levels are positively correlated, but this positive correlation could owe to IO membership reducing corruption.

To analyze this possibility, we re-estimate our main model (Model 1 in Table 1), but split the sample into observations where *Average IO Member Corruption* increases and declines. The first sample (results in Model 1 of Table 3) includes country-year observations where the country's *Average IO Member Corruption* experienced a decline. A significantly positive coefficient in this sample would indicate that a decline in *Average IO Member Corruption* leads to a *decline* in national corruption. The second sample (results in Model 2 of Table 3) includes country-year observations where the country's *Average IO Member Corruption* experienced positive growth. A significantly positive coefficient in this sample would indicate that an increase in *Average IO Member Corruption* leads to an *increase* in national corruption*,* thereby supporting our theoretical argument (Hypothesis 1).

In Model 3 of Table 3 we further analyze whether the negative effect of *Average IO Member Corruption* holds for the sample of members that have lower corruption scores than the average membership in the IOs in which they hold membership. A significantly positive coefficient in this sample would indicate that an increase in *Average IO Member Corruption* leads to an increase in national corruption of countries that originally were less corrupt than the IOs in which they participate. Finally, Model 4 tests whether the results hold for the sample of countries with greater corruption levels than the average membership in the IOs in which they hold membership and where *Average IO Member Corruption* experiences a decline. A positive correlation would

indicate that a decline in *Average IO Member Corruption* leads to a decrease in national corruption. Table 2 summarizes the theoretical arguments unpacking the effects and expected relationships.[15]

Table 2 Summary of Theoretical Expectations

		National Corruption		
		= Avg IO Corruption	< Avg IO Corruption	> Avg IO Corruption
Δ Average IO Member Corruption	< 0	Decline in *Avg IO Corruption* leads to a decline in national corruption (Model 1)		Decline in *Avg IO Corruption* leads to a decline in national corruption (Model 4)
	> 0	Increase in *Avg IO Corruption* leads to an increase in national corruption (Model 2)	Increase in *Avg IO Corruption* leads to an increase in national corruption (Model 3)	

Table 3 presents the results and shows that the degree of member-driven corruption in an IO network affects members' domestic politics in both directions. Countries that participate in a network of less corrupt IOs (Model 1) likely experience a decline in domestic corruption,[16] while countries that participate in a network of highly corrupt IOs (Model 2) likely experience a significant increase in domestic corruption. The positive correlation, however, is substantively larger than the negative correlation (1% vs. 0.8%), suggesting that norms of corruption are somewhat more likely to spread than are norms of anti-corruption. The results in Models 3 and 4 provide additional support for Hypothesis 1. *Average IO Member Corruption* positively covaries with a country's national corruption score even if their initial corruption levels were higher or lower than those of the average IO member.[17]

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[15] We do not report results for the empty cells because they are theoretically less interesting.

[16] This finding is consistent with Pevehouse's 2010 working paper.

[17] One could worry that the effects in Models 3 and 4 might be driven by countries with corruption scores that are very similar to the average corruption scores in the IOs they are members in. In Appendix C, we show that the effects hold independent from how different the country's corruption score is from that of the average corruption of the membership.

Table 3: Different Effects of Average IO Member Corruption

	(1) Decrease in Avg IO Member Corruption	(2) Increase in Avg IO Member Corruption	(3) Increase in Avg IO Member Corruption (Rel. Distance)	(4) Decrease in Avg IO Member Corruption (Rel. Distance)
Avg IO Corruption	0.765***	1.007***	0.835***	1.027***
	(0.158)	(0.184)	(0.179)	(0.176)
Democracy	-0.003	-0.005	0.003	-0.006***
	(0.003)	(0.003)	(0.002)	(0.002)
PC GDP (log)	-0.024	-0.022	0.015	0.033*
	(0.037)	(0.047)	(0.041)	(0.017)
PC GDP Growth (%)	0.001	0.001	0.002**	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Trade Openness	-0.002	0.003	0.001	0.003
	(0.005)	(0.005)	(0.002)	(0.005)
Regime Durability	-0.000	-0.002**	-0.002***	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Time Trend	0.012***	0.009	0.010**	-0.002
	(0.004)	(0.007)	(0.005)	(0.004)
Constant	0.209	0.114	-0.202	-0.170
	(0.315)	(0.404)	(0.348)	(0.149)
F-Test	14.049***	16.436***	30.341***	19.209***
R^2	0.309	0.352	0.486	0.480
Observations	502	591	429	152

DV: National Corruption
Standard errors in parentheses
* $p<0.10$, ** $p<0.05$, *** $p<0.01$

Anti-Corruption Mandates

The toleration of corruption that we observe in the main models should *not* be dampened by international anti-corruption regimes (Hypothesis 2). We argued that even though IOs create anti-corruption mandates to curtail corruption, they may fail to diminish the problem because corrupt IOs that adopt these rules will not enforce them.

To analyze the influence of international anti-corruption mandates on national corruption over time, we collected original data on whether every IO in our sample had adopted formal anti-corruption mandates as well as formal mechanisms to monitor and enforce these mandates using various sources. These sources include official organizational documentation such as mission

statements, treaties, protocols and constitutional documents, as well as supplementary materials provided by the Yearbook on International Organizations and extensive internet searches. For each organization, anti-corruption *Mandate* is coded 1 (and 0 otherwise) if the IO uses the word "corruption" in any formal documents relating to its values, priorities, mission or procedures.[18] While many IOs make some formal mention of anti-corruption goals, not all provide formal capacity for the monitoring or enforcement of those goals. We code the mandate as *Enforced* if the institution formally collects information about member state behavior, such as through the provision of periodic or annual reports or a formal review process. We consider a mandate to be formally enforceable if the IO can remove a member state for violating the rules and/or the IO can issue some form of penalty such as through arbitration or prosecution. We focus here on formally *Enforced Mandates*.

[Figure 2 about here]

A descriptive inspection of the data shows that IOs composed of highly corrupt members are as likely to adopt enforceable anti-corruption mandates as are IOs composed of less corrupt members. The y-axis of Figure 2 presents the value for *Average IO Member Corruption*. The left-side plot represents IOs without enforceable mandates, while the right-side plot represents organizations with enforceable anti-corruption mandates and some form of built-in monitoring and enforcement mechanisms.[19] Despite the slightly lower mean and the greater distribution of values at the lower side of the box on the right, the graph suggests that IOs composed of corrupt members are nearly as likely to have formally enforceable mandates than IOs composed of less corrupt members. Corrupt IOs are *not* more likely to select out of anti-corruption mandates in the first place.

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[18] References to corruption must be broadly and formally related to the IO: instances of the word "corruption" in a press release or report do not count in our data as a mandate.

[19] Appendix D reports that the results are similar if we take into account non-enforceable anti-corruption mandates, although the differences are (expectedly) weaker.

	(1) Mandates (#)	(2) Mandate	(3) No Mandate
Avg IO Corruption	0.918***	0.531***	0.956***
	(0.123)	(0.126)	(0.131)
Mandates (#)	-0.007		
	(0.011)		
Democracy	-0.004*	-0.005*	-0.004**
	(0.002)	(0.002)	(0.002)
PC GDP (log)	-0.017	0.012	-0.020
	(0.035)	(0.029)	(0.036)
PC GDP Growth (%)	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)
Trade Openness	0.000	0.001	-0.000
	(0.004)	(0.003)	(0.003)
Regime Durability	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)
Time Trend	0.010**	0.013***	0.010**
	(0.004)	(0.004)	(0.004)
Constant	0.076	0.051	0.054
	(0.300)	(0.239)	(0.301)
F-Test	20.288***	16.905***	21.404***
R^2	0.315	0.257	0.321
Observations	1093	1055	1083

DV: National Corruption
Standard errors in parentheses
* $p<0.10$, ** $p<0.05$, *** $p<0.01$

Next we evaluate the extent to which anti-corruption rules are actually enforced by adding the variable *Enforced Mandates (#)* into our original model. The variable measures the number of IOs with enforceable mandates that a country is a member of in a given period. We expect mandates to only have an effect when the membership of IOs is less corrupt. The estimate presented in Model 1 of Table 4 reports that the effect of anti-corruption mandates on national corruption is negative but insignificant. This supports Hypothesis 2. Corrupt IOs are as willing to adopt but less willing to enforce anti-corruption mandates: the effect of *Enforced Mandates (#)* is conditional on the level of *Average IO Member Corruption*.

Figure 3 graphically presents the marginal effects of *Enforced Mandates (#)* (solid line) and their 90% confidence intervals (dashed line) for different levels of *Average IO Member Corruption*. The y-axis displays the marginal effects of *Enforced Mandates (#)*, while the x-axis displays values for *Average IO Member Corruption*. We also present information on the distribution of *Average IO Member Corruption* (short-dashed line) with estimates presented on the

second y-axis. The figure provides strong support for our argument. Countries that are members in less corrupt IOs experience a reduction in national corruption if they are members of more IOs with anti-corruption mandates. However, the effect becomes insignificant for higher values of *Average IO Member Corruption*. Mandates are only likely to make a difference when countries are members in organizations that are already composed of better governed members; they are not likely to affect the problem where it is at its worst, among corrupt states where such rules are largely cheap talk.[20]

[Figure 3 about here]

These results could be due to the fact that countries tend to be members of both more corrupt and less corrupt IOs. To shed more light on the issue, we re-calculate our *Average IO Member Corruption* measure for the subsets of organizations with and without anti-corruption mandates. Table 4 presents the results. Model 2 re-estimates the main model but generates our main independent variable only for the subsample of organizations with anti-corruption mandates—and thus some written formal policy for enforcement—while Model 3 generates a variable that is based on organizations without anti-corruption mandates. While participation in member-corrupted organizations that have no anti-corruption mandates (Model 3) is statistically likely to lead to increased incidences of national corruption, so too is participation in organizations with anti-corruption mandates (Model 2). Both coefficients are positive and statistically significant, suggesting that corruption spreads through corrupt networks regardless of the formal rules in place to combat the problem.[21] The substantive effects are smaller for the mandate model, suggesting that although corruption spreads in the presence of a mandate, there is a lower tendency to spread in this condition.

Domestic Institutions

Our theoretical argument suggests that corruption should be less likely to spread to member countries that have highly capable and independent enforcement institutions, which raise the

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[20] In addition, the effect of *Average IO Member Corruption* is positive and significant independent of a country's number of memberships in IOs with anti-corruption mandates. Results are available from the authors.

[21] Note, the results hold even if we control for a growth or decline in *Avg IO Member Corruption*. Results are available from the authors.

domestic costs of engaging in political corruption (Hypothesis 3). To evaluate this claim, we analyze whether the *Average IO Member Corruption* effect is conditional on the capacity of local enforcement institutions to deter leaders from acting on these incentives by raising the domestic costs of engaging in political corruption. We approximate the strength of local enforcement institutions by employing the World Bank's *Rule of Law* indicator, which gauges "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts."[22] We interact *Rule of Law* with *Average IO Member Corruption* and re-estimate our first model (Table 1, Model 1), including the interaction effect.

[Figure 4 about here]

To interpret the interaction results, we present the results graphically in Figure 4 (a full set of estimates is reported in Appendix E). The solid line presents the marginal effects together with 90% confidence intervals (dashed lines). We also include the Kernel density estimate for *Rule of Law*. The findings largely support our argument. Where courts have greater capacity to enforce contracts independently from government intervention, membership in corrupt IO networks is less likely to witness the spread of corruption domestically. However, the contagion effect once again remains significant for intermediate levels of the rule of law—only at the highest level of the rule of law does the effect likely dissipate, which again lends credence to the viral model of corruption.[23]

CONCLUSION

Our central contribution lies in advancing the claim that who leaders cooperate with affects how their participation in IOs—and the rules of those IOs—influence their incentives to engage in corruption. We compliment the small but emerging literature on IOs and corruption, which tends to emphasize the ways in which IOs can help assuage the problem, by identifying the conditions

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[22] http://info.worldbank.org/governance/wgi/pdf/rl.pdf.

[23] As an alternative to the World Bank measure of Rule of Law, Stanton and Linzer (2015) have developed a new time series, cross-sectional measure of *Judicial Independence* (*S&L*), available through 2010. When we use this measure, we find a slight, though insignificant, decline. Results are available in Appendix E.

under which IOs may actually tolerate or even exacerbate corruption. The abuse of power risks spreading among political leaders participating in networks of organizations characterized by corrupt members even where formal institutional rules have been adopted to combat the problem. Corrupt organizations create, but are less likely to monitor or enforce, rules to promote good governance than are less corrupt principals, and leaders surrounded by corruption may come to believe that the abuse of power is the acceptable norm, and even desirable despite rules that formally prohibit the behavior. They know those rules are unlikely to be enforced. Under those conditions, corruption can spread like a virus within organizations and throughout participants' networks. While we cannot formally validate the causal mechanism, we can rule out plausible alternatives and provide illustrative examples consistent with a viral model.

The value added of our approach is threefold. First, the study of corruption has long been focused on domestic explanations for leaders' abuse of power. Yet, there is every reason to believe that IOs can and do exert a strong influence on domestic political outcomes such as corruption. Understanding the ways in which these organizations may affect states' governance practices offers to provide additional insight into the sources of political corruption, and thus perhaps also the remedies. It also provides a useful compliment to existing studies on related forms of international governance such as democratization and human rights promotion but highlights the potential ways in which IOs may facilitate insidious behavior. There are dark sides to international cooperation.

Second, our research shines light on the fact that the effects of international cooperation on states through institutions are different depending on who is at the table.[24] While IOs are generally designed to solve cooperation problems and promote better governance, under specific conditions their makeup can also have a pernicious effect on their members—such effects remain a rich area for study, as scholars of international organizations have understandably tended to place greater focus on their beneficial effects. One implication is that extending IO memberships to countries characterized by extensive corruption may serve to facilitate rather than ameliorate the problem, much in the same way that extending membership to repressive states has arguably done so (Hafner-Burton 2013; Greenhill 2015). This suggests that policies of engagement—by encouraging formal institutional cooperation with corrupt states—may at times have deleterious

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[24] This complements work by Gray (2009; 2013) on sovereign debt.

consequences for members.[25] It also points to the importance of strengthening domestic judicial processes to limit the local effects of more corrupt IOs.

Finally, our research speaks directly to debates about compliance with international law and regulation and suggests that the effect of IO policies intended on paper to promote better governance depends critically on the membership of the organization. Formal anti-corruption rules appear to do little to halt—and at best may marginally slow down—the spread of corruption among the members of highly corrupt IOs, raising serious questions about the extent to which the power of these mandates is potentially endogenous to member state interests (and willingness to enforce) and therefore not independently effective in the places where they are most needed. Creating more rules may not be the solution. Rather, the answers may lie in the ability of IO secretariats, and principals, to screen in or out certain types of states in order to avoid a tipping point for the virus to spread. Exactly where that tipping point lies is a subject for future research.

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[25] See also Cruz and Schneider (2017) on how international cooperation facilitates undeserved credit claiming.

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