The Dark Side of Cooperation: When International Organizations Spread Political Vice

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Abstract

International organizations (IOs) influence a wide variety of domestic political outcomes. Understandably, much of the scholarly literature has focused on the beneficial value these organizations provide to members. Yet depending on the makeup of the organizations, some of the very same mechanisms that incentivize good governance among members can instead incentivize political vice. Our central argument is that state participation in vice-ridden international networks, through upholding memberships in IOs characterized by highly corrupt members, is likely to incentivize that vice domestically. This process may occur for two distinct reasons. The first reason involves monitoring and enforcement—or the lack thereof. Groups of vice-ridden states are highly reticent to monitor or enforce good governance standards against other member states. A second reason is socialization. Leaders may witness the value of political vice to their IO member peers and learn to act the same way. Using a variety of data sources and estimation strategies, we demonstrate that countries that are embedded in a network of highly corrupted IOs are significantly more likely to experience an increase in domestic corruption than are countries embedded in a network of more honest brokers. These findings hold across an array of bad governance indicators and highlight a darker side of international cooperation. IOs can have both positive and negative effects on member governments depending on who is cooperating.

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International organizations (IOs) influence a wide variety of political and economic outcomes.[2] They help to allay wars, facilitate trade and FDI, reduce climate change, spread rights and institutionalize the rule of law by creating incentives for states to cooperate.[3] Their value lies in their ability to reduce transaction costs, link issues, monitor behavior, enforce rules and diffuse norms and knowledge. Often, they exert influence over the traditions and institutions by which authority in a country is exercised by creating a network of actors within and across multiple organizations.[4] When political leaders interact frequently over time, they foster the ability to transmit both material goods and information that affect how leaders behave. For example, membership in regional organizations composed of highly democratic members increases the likelihood that autocratic states democratize—groups of democratic leaders are more willing than groups of autocrats to impose and enforce conditions for membership that transmit norms of democracy.[5] Similarly, human rights practices tend to improve when a state is embedded in a network of IOs with other rights-protecting members.[6]

Understandably, much of this literature has focused on the beneficial value international organizations provide to members.[7] Yet, depending on the makeup of the organizations, some of the very same mechanisms that incentivize good governance within member states can instead incentivize the abuse of power.[8] For example, after the accession of Bulgaria and Romania to the European Union (EU) in 2007, many observers expected that their membership in the European Union with its anti-corruption standards would help reduce corruption in both countries. Instead,

[2] Gourevitch 1978.

[3] Keohane 1984; Pevehouse 2002, 2005; Fortna 2008; Mansfield and Pevehouse 2000, 2006; Ingram and Robinson and Busch 2005; Frank, Hironika and Schofer 2000; Hafner-Burton 2005, 2013, Schneider and Urpelainen 2012; Schneider and Slantchev 2013; Victor 2011; Dreher et al. 2015.

[4] Hafner-Burton, Kahler and Montgomery 2008; Montgomery 2016.

[5] Pevehouse 2002. Densely democratic IOs are also likely to engender peace between members (Pevehouse and Russett 2006), as are regional trade agreements that support a dense network of commercial ties (Mansfield and Pevehouse 2002, 2003).

[6] Greenhill 2015.

[7] Some notable exceptions include: Barnett and Finnemore 1999; Hafner-Burton and Tsustui 2005; and Greenhill 2015.

[8] Good governance is generally defined as an effective and viable process of decision-making: the process by which decisions are implemented (or not implemented). Good governance has a number of important characteristics, including that it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, rule of law following, inclusive of minorities, and corruption minimizing (e.g. UNESAP 2009: 1). Whereas practitioners use various different dimensions to measure good governance, most of them include corruption as one central indicator. In this paper, we focus on the potential spread of corruption as a consequence of membership in international organizations.

corruption levels in both countries rose. In addition, the average level of corruption among other EU members rose as well after enlargement.[9] This episode suggests that the diffusion of norms and practices through IOs can sometimes work against good governance. In the same way that surrounding a state's leaders with examples of respect for democracy or human rights by their IO network helps spread those qualities domestically, political vice in a network helps spread political vice. Bad ideas and practices about how to exercise political authority can diffuse.

Our central argument is that state participation in vice-ridden international networks is likely to incentivize political vice domestically.[10] This process may occur for two distinct reasons. The first way in which membership in vice-ridden IOs may beget poor governance domestically involves enforcement—or lack thereof. One of the logics that explains why participation in highly democratic IOs precipitates democratization is that the states that delegate authority to these kinds of IOs are much more likely to create, and use, mechanisms to monitor and enforce standards for democracy.[11] This logic in the context of vice operates in precisely the opposite way: leaders of vice-ridden states are highly reticent to delegate authority to monitor or enforce good governance standards against themselves or other member states. Rather, they are likely to look the other way for fear of retaliation for their own vice-ridden practices; malevolent leaders rarely call attention to their kind. As a result, a state embedded in a highly vice-ridden group of IOs will anticipate a low level of international attention to, or enforcement against, their own domestic abuses of power. There is no institutionalized credible commitment device against the abuse of power in a vice-ridden network.

A second and related way that vice begets vice is through socialization—or learning.[12] Through repeated interaction, the sharing of information, and the creation of norm entrepreneurs, political elites can be swayed by their IO peers into believing that a certain policy or form of governance—such as democracy or human rights—is the suitable approach.[13] Yet the diffusion of norms and ideas need not be in support of good governance.[14] When surrounded by cultures of

[9] Gokcekus and Bengyak 2015.

[10] Although it is not the empirical focus of this paper, our argument also applies to the spread of vice within IOs among organizational leaders and bureaucrats, exemplified by recent charges against John Ashe—a former UN General Assembly president—for taking millions of dollars in bribes from a Chinese real estate tycoon in exchange for government contracts. See BBC 2015.

[11] Pevehouse 2005.

[12] Finnemore 1996; Checkel 2005.

[13] Pevehouse 2005; Goodman and Jinks 2013.

[14] Christakis and Fowler 2011.

vice, people can also become convinced that political misconduct is acceptable and perhaps even politically expedient. Leaders can witness the value of vice to their IO member peers and learn to act the same way.[15] The failure to generate or enforce IO standards of good conduct may amplify this learning process. For political vice to spread within a network of organizations, through either mechanism, leaders must not only believe that their misconduct will go unnoticed or unenforced by their IO peers, but also by their local governments. The presence of strong domestic enforcement institutions that are independent from government intervention should help to mitigate this problem.

To evaluate the empirical implications of our theoretical argument, we employ data on government "embeddedness" in international organizations over the period of 1986-2011. Following previous research on the role of IOs in fostering democratization,[16] we highlight the role of 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 generating both theoretical mechanisms through which vice can spread in a network.

While there are many forms of political vice that could spread through these organizations, our primary empirical focus in this article is government corruption. Corruption clearly 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 govern interactions among them.[17] Corruption—or the abuse of entrusted power for private gain—is a type of vice that is globally widespread, very costly (the OECD estimates the costs are greater than 5% of global GDP), and operates as an obstacle to

[15] Although it is beyond the empirical scope of this paper to investigate, it is also possible that when state principals are corrupt, the IOs they create to act as their agents will be more likely to tender weak (or no) rules prohibiting or monitoring the abuse of power in the first place. Moreover, the organizations may themselves become more likely to make corrupt decisions, having created a culture, history and bureaucracy that reflects the preferences and behavior of the majority of its principles. Finally, some scholars have shown that IO behavior can have unintended negative effect on domestic governance, independent of the embeddedness in corrupt networks (Cruz and Schneider 2016). Whereas this is another mechanism through which international cooperation can have negative effects, these are generally unintended (and unwanted), so we do not focus on them here.

[16] Pevehouse 2005.

[17] This definition of 'governance' underlies the World Bank's Worldwide Governance Indicators project: http://info.worldbank.org/governance/wgi/index.aspx#home.

development.[18] Within the EU alone corruption is a massive problem: the European Commission recently estimated that the annual costs incurred by corruption amounts to about EUR120 bn. ($135 bn.), which is about 1% of European GDP (or almost the entire budget of the European Union).[19] Corruption is also a form of bad governance over which individual leaders interacting in IOs have some direct control—they can chose to engage in or refrain from corruption—which is a central condition to the theory we develop below, as not all forms of bad governance are so easily spread.

Using a wide variety of data sources on corruption, we analyze whether a country's membership in a network of IOs with highly corrupt membership has an effect on that country's future propensity to engage in corruption at the national level. Our analysis provides support for our theory, though it does not empirically distinguish between potential causal mechanisms—that task is beyond the scope of this article. Countries that are embedded in a network of highly corrupted IOs are significantly more likely to experience an increase in corruption than are countries embedded in a network of more honest brokers. As we will show, our findings are robust to a wide array of model specifications and our central finding—that corruption spreads—holds across other bad governance indicators. Through participation in IOs, political vice precipitates vice.

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.[20] Decades of research and debate have established that corruption is both a prevalent and a harmful phenomenon.[21] Among its many harmful effects, corruption adversely affects economic performance, including domestic economic growth and local government investment.[22] It deters direct foreign investment,[23] exacerbates income inequality,[24] and can impede trade and aid.[25] While there are many variants of how scholars and

[18] OEDC 2014.
[19] European Commission 2011: 3.
[20] Svensson 2005.
[21] Some scholars have pointed to beneficial effects of corruption, through "greasing the wheels of the economy" (Dreher and Gassebner 2013).
[22] Salinas-Jiménez and Salinas-Jiménez 2007; Mauro, 1995; Jain 2001; Dreher and Siemers 2009.
[23] Wei 2000; Habib and Zurawicki 2002; Mathur and Singh 2011.
[24] Gupta et al 1998.
[25] For a review, see: Lambsdorff 1999.

data sources define and measure corruption, its presence always entails the co-existence of three factors, which are central to our argument. 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.[26] Given the presence of these factors, however, there is still great variation in whether a government or leader will engage in or facilitate corruption.

There is a long tradition of scholarship seeking to explain this variation. Understandably, that tradition has focused mainly on the domestic origins of the problem. Differences in market structure, income, wealth and economic freedoms help explain why some governments are more corrupt than others.[27] So does the variation in the nature of domestic political institutions, including forms and rules of governance as well as the freedom of the press.[28] Cultural and social factors, like religion and historical tradition, are also thought to play a prominent role.[29] More recently, scholars have turned their attention to the international factors that could influence the domestic prevalence of corruption. Among those factors that have been found to correlate with lower degrees of state corruption are open trade and competition.[30] Foreign direct investment dampens corruption[31]—although perhaps not in the developing world where FDI may crowd out domestic investment.[32] And global economic integration more broadly corresponds to less corrupt practices.[33]

Alongside this rise in a focus on the international sources of state corruption were the fairly rapid rise of the issue on the global agenda and the resulting development of a body of international anti-corruption regimes.[34] Spurring on these developments were a growing number of accusations by watch dog groups like Transparency International that powerful international organizations like the World Bank, the IMF, and the world's trading institutions were themselves engaging in acts of corruption and enabling bad practices in their member states by turning a

[26] Jain 2001.
[27] Graeff and Hehlkop 2003.
[28] Sandholtz and Koetzle 2000; Gerring and Thacker 2004; Mocan 2008; Brunetti and Weder 2003.
[29] Svensson 2005.
[30] Gerring and Thacker 2005; Sandholtz and Koetzle 2000; Ades and Di Tella 1999.
[31] Wei 2000; Larrain and Tavares 2004.
[32] Pinto and Zhu 2015.
[33] Sandholtz and Gray 2003.
[34] Wang and Rosenau 2001; Posadas 2000.

blind eye. In response, many IOs—from the OECD to the EU—began to take up the issue, crafting anti-corruption mandates designed to identify and deter the abuse of power, both within the organizations and among their member states. Today, dozens of these policies are in place.[35]

This focus on corruption among a growing number of IOs has garnered surprisingly little attention from scholars, who remain principally focused on domestic or economic explanations for state-led abuses of power. Among the few studies that systematically explore the relationship between membership in IOs and corruption, all (to our knowledge) conclude that membership generally is a good thing, dampening the likelihood that public officials will misuse their positions of power for private gain. In a published analysis of 153 countries from 1997-98, Sandholtz and Gray (2003) find that greater degrees of international integration, measured partly by a state's membership in IOs, lead to lower levels of state corruption. In a recent working paper covering a much greater time span, Pevehouse (2010) finds that membership in economic (primarily regional) IOs also corresponds to lower state corruption levels, as does membership in organizations that have mainly honest members. Aaronson and Abouharb (2014), meanwhile, make the specific case that membership in the WTO corresponds to better domestic governance. Behind these preliminary findings are a host of potential explanations for why—and how—IOs might influence corruption specifically, and the quality of governance more broadly.

The positive influence that IOs exert on member state governance is without doubt an important and regular phenomenon. However, because IOs are ultimately composed of groups of state leaders interacting within organizations, their effects on government behavior depend crucially on the preferences and strategies of those leaders. In the sections that follow, we first delineate the central mechanisms through which IOs influence states and then develop a theory of the dark side of international cooperation to explain how those mechanisms can—under

[35] These mandates include the 2005 United Nations Convention against Corruption (UNCAC), the 1999 Council of Europe Group of States against Corruption (GRECO) and the 1999 OECD Anti-bribery Convention. The process towards developing anti-corruption policies tends to be long and not always successful. For example, the European Commission did not call for anti-corruption efforts at either the EU or member state level until 2003. It only acceded to the UNCAC in 2008 and began to integrate anti-corruption measures into a range of EU policies. Noting a serious lack of compliance within its member states, the European Commission in 2011 implemented a number of additional measures through the Stockholm Program. This includes detailed anti-corruption reports which have been published since 2013 and describe incidences of corruption and member state efforts (or the lack thereof) to fight corruption.

certain conditions—also spread norms of bad governance, such as national corruption, across membership.

Mechanisms of Influence

International organizations seek to spread norms of appropriate behavior, such as norms of good governance, that improve the quality of cooperation and the size of benefits states can reap from membership. One way they do so is by providing information about the expectations—both globally and domestically—for member state behavior, establishing the rules of the game and setting standards. For example, the EU has established an *acquis communautaire* that lays out precise expectations for membership. Among those expectations to be fulfilled at the domestic level are specific requirements regarding the free movement of goods, workers and capital across borders, as well as a range of standards covering everything from agriculture and rural development to energy, taxation, and social policy. In principle, all EU member states and their citizens are required to conform to the *acquis* and all countries seeking membership in the EU must accept the full set of standards, which includes a wide range of markers for good governance.[36]

IOs can also provide a source for monitoring member behavior in accordance with the rules and expectations of membership, increasing the likelihood of detecting defection. For example, the International Atomic Energy Agency has generated "safeguards" to determine whether members of the Non-Proliferation Treaty are in compliance with their commitments. Its verification methods include on-site inspections of member state facilities to confirm the non-diversion of declared nuclear material, as well as containment and surveillance techniques—such as installing cameras—to ensure that member states behave according to the common norms.[37] The resulting increase in the likelihood of detection can generate reputations for compliance, which can affect members' incentives for cooperation and compliance with norms of appropriate behavior.[38]

Some IOs also provide enforcement and dispute resolution, which can generate legal, diplomatic or economic pressures that can also shape incentives for good governance. These

[36] Pluemper et al. 2006; Pluemper and Schneider 2007; Schneider 2007, 2009.
[37] Smith 1987.
[38] Tomz 2007; Simmons 2000; Guzman 2008.

provisions can both help to determine liability and to generate economic or political costs for member states that breach the rules. For example, the World Bank's International Centre for Settlement of Investment Disputes (ICSID) provides a mechanism to boost investor confidence by allowing them to invoke international arbitration by filing complaints when they feel wronged by a foreign host government.[39] These complaints can and have generated massive political fallout and financial costs in the billions of dollars for governments found at fault. These costs associated with enforcement and dispute resolution—if made credible—can delegitimize the defector government at home, influence public and elite perceptions about the government, create credible guarantees for pro-compliance interest groups, raise the costs of domestic policy change and help to "lock in" better governance policies.[40]

IOs can also incentivize good governance by linking issues. Member states can make trade offs in terms of concessions on one issue for another, or use one set of standards to enforce another. For example, a growing number of preferential trade agreements (PTAs) have come to play a role in governing state compliance with human rights. When they supply hard standards that tie material benefits of economic integration to compliance with human rights principles, PTAs have encouraged some of their members to adopt new—and more progressive—human rights policies and practices at home. In some cases, these institutions also provide monitoring and enforcement procedures to raise the likelihood that violations of human rights will be detected and offending governments punished through the reduction or removal of trade-related benefits.[41]

Alongside the provision of standards that can be monitored and enforced is another, related, way in which IOs can influence their membership: socialization.[42] When political leaders interact frequently, they foster the ability to transmit both material goods and also information, and those transactions affect how actors behave. Repeated interactions between leaders often create close personal connections.[43] IOs provide venues for those interactions through the conduct of frequent meetings and prolonged contact, communication and negotiation that can shape leader

[39] Milner 2014; Hafner-Burton et al. 2016.
[40] Milner 1998; Mansfield, Milner and Rosendorff 2000, 2002; Moravcsik 2000; Pevehouse 2002, 2005. On investments specifically, see: Büthe and Milner 2008; 2014
[41] Hafner-Burton 2005; Kim 2012; Hafner-Burton, Mosley and Galantucci 2016.
[42] For a detailed discussion, see: Checkel 2005. See also: Chayes and Chayes 1995; Goodman and Jinks 2013; and Greenhill 2015.
[43] Lewis 2005.

preferences and interests.[44] In this way, IOs can act as a conduit for the creation and diffusion of norms that influential actors may eventually internalize.[45] That internalization provides the momentum to act in accordance with expectations,[46] in part because the norm becomes the acceptable or appropriate thing to do.[47] Often, these IO-driven processes are discussed in terms of the creation of a shared sense of mutual identity based on values, trust, and a moral code.[48] This sense of community and identity may develop unconsciously, as actors adopt the culture and policies that look similar to their peers.[49]

Socialization through membership in IOs can happen both within and across organizations. A good example of the former 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 affected their bargaining behavior.[50] Socialization can also occur across organizations, the logic being that most states hold membership in multiple—often many dozens of—organizations, and it is this broader environment of interactions that shapes how leaders think about their interests.[51] Socialization can also work in tandem with monitoring and enforcement efforts, as those more immediate incentives to conform to expectations can foster longer-run beliefs about what is appropriate.

A Darker Side of Cooperation

Much of the literature on IOs has focused on how these mechanisms of influence produce positive effects of membership–such as good governance–paying much less attention to conflicting or pernicious interests, procedures and norms that can also develop in the process of cooperating.[52] Our central argument is that some of the very same organizational mechanisms of

[44] Hooghe 1999; Finnemore 1996; Adler and Barnett 1998.
[45] Johnston 2001, book year?; Mitchell 2002.
[46] Checkel calls this "role playing", or Type 1 socialization.
[47] Checkel calls this Type 2 socialization. Hurd 1999. Meyer et al. 1997.
[48] Risse Kappen 1995
[49] Goodman and Jinks 2013; Meyer et al. 1997.
[50] Lewis 2005.
[51] Bearce and Bondanella 2007; Russett, ONeal and David 1998; Ingram and Robinson and Busch 2005.
[52] One notable exception is Greenhill 2015, who argues that IOs enable states with good human rights records to socialize other member states to improve their own domestic standards, but that they also empower repressive states to negatively influence human rights in other countries. Another is Barnett and Finnemore 1999, who develop a constructivist explanation for why some IOs engage in dysfunctional—and even pathological—behavior.

influence described above that can incentivize good governance within members can also incentivize the abuse of power. Here, we explain why a state's participation in IOs characterized by highly vice-ridden members is likely to incentivize the spread of vice, such as corruption, domestically. In effect, the abuse of power can be contagious among leaders and IOs can be conduits for its spread into domestic politics.

Membership in IOs requires participation by high level political elites, such as ambassadors, diplomats and heads of state (or their agents), who attend regular meetings, engage in frequent dialogue and negotiations, and make decisions that can ultimately affect millions of people. For example, in the EU domestic politicians are highly embedded 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 four times a year in the context of the European Council. But even in less integrated organizations, such as regional trade or development organizations, involvement of high-ranking government actors in organizational decision-making is frequent. For example, in the Association of Southeast Asian Nations (ASEAN) – an organization that is oftentimes seen as a counter model to the highly formalized nature of the 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.

Whether they are heads of states or cabinet ministers, these actors almost always meet the three criteria that must be present for corruption to emerge or spread. They are by definition politically powerful at home. While their degree and form of power vary, they almost always possess some form of discretionary influence over the allocation of their state's 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. While they must represent their nation's laws and interests, ambassadors to IOs—like other forms of 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 clearly wield influence over their country's regulatory and

redistribution 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 country's 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. That these politically powerful leaders (as well as politicians at lower levels) can be embroiled in political vice such as corruption is nothing new. There were several high-level corruption cases in the EU just last year, involving for example the Spanish Prime Minister, Mariano Rajoy (as well as a large number of politicians from his party), and the Romanian Finance Minister, Darius Valcov, in two separate cases.[53]

IOs with highly vice-ridden membership are likely to act differently in several ways that could affect the spread of political vice among members. First, in the same way that IOs can generate formal standards for member participation, such as the *acquis* in the context of the EU, they can also decline to provide formal standards against the abuse of power. One of many examples includes the African Petroleum Producers' Association. This regional organization, which serves as a platform for 18 African petroleum producing countries to cooperate—including the highly corrupted governments of Angola and Sudan—contains no anti-corruption or good governance provisions of any kind. Whereas the decision to set institutional standards intolerant of member state corruption plausibly increases the prospects of detection and penalty, the decision against standards removes corruption from the official IO agenda and its jurisdiction of authority.

Second, IOs with highly vice-ridden members are unlikely to invest in the monitoring of political vice, and thus unlikely to independently detect or draw attention to the presence of bad governance. Those engaged in the abuse of power have no incentives to create procedures to scrutinize that behavior, either against themselves or against their organizational peers who might act in the same manner. Perhaps more importantly, leaders in these types of organizations are also unlikely to invest in any enforcement or punitive reaction against political vice, which reduces the potential reputational and material costs associated with the abuse of power. When a

[53] As we explained above, for corruption to thrive among political elites, there also must be a reasonably low probability of detection and especially of penalty (Jain 2001). It is in this capacity that certain types of IOs—namely those organizations with highly corrupted members—can be a conduit for the spread of corruption by ensuring those probabilities remain low.

corrupt leader is enmeshed in many interactions with many other corrupted leaders, they are less likely to pressure their counterparts to enact, and implement, policies that favor democracy, trade liberalization, human rights, or anticorruption.[54] They are more likely to look the other way in the face of vice because they too are engaged in bad governance that they neither want to draw attention to nor discipline. Instead of alleviating the credibility gap, corrupted IOs can make the gap bigger by ensuring that there are few institutional costs involved in engaging in vice-ridden behavior.

A prominent example of this phenomenon is the African Union, which adopted a Convention on Preventing and Combating Corruption (in force since 2006) that is has failed to effectively implement or enforce. According to Transparency International's recent estimates, almost 75 million people in Sub-Saharan Africa alone paid bribes in 2014 in order to buy off police or judges or buy access to basic services.[55] Moreover, the organization has routinely turned a blind eye to corruption scandals among its prominent membership—such as the many ongoing accusations against Jacob Zuma, current President of South Africa.[56] And it has gone so far as to formally refuse to enforce the International Criminal Court's (ICC) arrest warrants against the highly corrupted president of Sudan, President Omar al-Bashir, for war crimes. Indeed, in 2015, against the ICC's orders, Bashir freely travelled to South Africa to attend an African Union summit and Zuma's government refused to arrest him, claiming that Bashir was immune from prosecution.[57]

Such institutional practices of turning a blind eye to bad governance among members are hardly an African problem. Another example is the Organization of American States (OAS), whose 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.[58] With regards to enforcement of its own principles, however, the OAS has largely disregarded its members' policies, limiting its enforcement actions to the

[54] This is consistent with Pevehouse 2002, who argues that if external guarantees and threats are not credible, IOs will no longer help to foster democracy.
[55] The estimates were created in partnership with Afrobarometer, which spoke to 43,143 people across 28 countries in Sub-Saharan Africa. See Transparency International 2015.
[56] The Gardian 2013.
[57] The Gardian 2016.
[58] Article 3.

suspension of membership only in the extreme context of political coup.[59] Moreover, while the OAS was among the first IO to mandate a legally binding anticorruption mandate (in 1996), corruption in the region—particularly south of the U.S. border—remains widespread. According to Transparency International, while more Latin countries are adopting laws or joining initiatives to reduce corruption, massive corruption schemes involving powerful elites remain prevalent and punishment scarce.[60]

Third, and related, vice-ridden IOs are unlikely to formally link good governance to their main goals as a mechanism to screen out members or enforce anti-corruption norms. In the same way that highly repressive states like China avoid imposing human rights conditions on their aid recipients and trade partners,[61] the member states of highly corrupted IOs will avoid tying the material benefits of cooperation to the organization's mandate. Moreover, leaders in these organizations will eschew issue linkage to good governance criteria not only at the institutional level, by avoiding conditionality, but also at a personal level, by turning a blind eye to their peers' acts of bad governance on one issue in exchange for reciprocity on another issue. Perhaps the best known—and widely documented—example is vote buying, where leaders representing one country offer material benefits, such as foreign aid or IMF loans, to leaders from another country in exchange for their vote in an IO.[62] In these ways, IOs can generate a low provision of information about expectations for good governance and for the likelihood of detecting or punishing acts such as corruption. Cheaters hide information. Potential costs for engaging in bad governance are not credible, and vice-ridden IOs will not generate dependable guarantees for interest groups that seek to lock in domestic policy change for better governance.

Finally, these IOs can provide a forum to socialize, or teach, leaders to believe that political vice is normal, acceptable, or beneficial to them personally or to their government generally. In the same way that norms of good governance, such as democracy or human rights, can spread through the repeated interactions that take place among leaders meeting frequently within the context of IOs, norms of bad governance can also be learned and spread. Repeatedly witnessing corruption by elite entrepreneurs, as well as its benefits to other leaders and their impunity from recrimination, can convince a leader that abusing power is a legitimate way of doing business. It

[59] Duxbury 2011.
[60] Transparency International 2014.
[61] Woods 2008.
[62] Kuziemko and Werker 2006; Dreher, Sturm and Vreeland 2009; Lockwood 2013.

may even generate a sense of trust—or a code—among leaders, who come consciously or unconsciously to adopt the corrupt culture and policies that look similar to their peers.[63] In the same way that obesity, smoking and substance abuse spread quite quickly through social networks,[64] so too can the incentive to abuse of power, which may help to explain why, in 2015, British officials thought it was acceptable to engage in a secret vote-trading deal with the government of Saudi Arabia to ensure that both states were granted membership to the UN Human Rights Council.[65] A lack of monitoring and enforcement efforts further supports this socialization process, as leaders learn not only the value of political vice but also that they are immune from punishment—neither the UK nor Saudi Arabia were punished for the vote trade and both presently sit on the Council.

For all of these reasons, which are neither mutually exclusive nor easy to distinguish empirically, our central hypothesis is that a country's membership in a network of IOs with highly corrupt membership will increase that country's propensity to engage in corruption at the national level. Such IOs fail to deter already corrupt governments from further engaging in corrupt policies since they lack monitoring and enforcement policies and because they fail to spread norms of good governance. Even worse, if political vice is regarded as normatively unproblematic at the IO level and there is no pressure to reduce such practices from above, then governments are likely to engage in even more corrupt practices at the domestic level, thereby further spreading bad governance. This socialization effect can also lead to a deterioration of governance in countries that previously depicted lover levels of corruption. These governments learn that corruption may be beneficial and the common practice in the IO membership may make them more conducive to pursue such policies at the domestic level.

Of course, while participation in vice-ridden IOs may incentive leaders to engage in the abuse of power for the reasons we have articulated above, their ability to do so depends on their authority at the domestic level. Countries that have already developed highly stable domestic institutions that help prevent more corrupt behavior of their governments (and other political elites) will make it more difficult for governments to pursue bad policies. The power of local

[63] Goodman and Jinks 2013; Meyer et al. 1997.

[64] Fowler and Christakis 2009. Sociologist also find a socialization effect for corruption at the workplace, where newcomers are taught to accept and perform corrupt practices, especially if corruption is endemic and condoned by the prevailing culture in that organization (Ashforth and Anand 2003; Manz et al. 2005; Ashforth et al. 2008).

[65] The Guardian, September 29, 2015.

enforcement institutions—particularly law enforcement and courts—to hold leaders accountable for political misconduct appear particularly relevant in this respect. Stable and independent law enforcement and courts are difficult to change and they are more likely and motivated to monitor, detect, and sanction corrupt practices. They raise the domestic costs of engaging in political vice, and should therefore help deter—or at least dampen—the decision to engage in political vice domestically. This, in turn, might mitigate the relationship between the countries' embeddedness in corrupt IOs and the pursuit of bad governance domestically.

RESEARCH DESIGN

The objective of our empirical analysis is to examine the relationship between a country's exposure to member-corrupted IOs and their future levels of corruption. Our data set builds on the Correlates of War IGO Data Set Version 3.0 (Pevehouse et al. 2015), and covers data on the membership of over 190 countries in 317 regional organizations for the 1986-2011 period.[66] Similar to Pevehouse (2002, 2005, 2010), we focus our primary analysis on regional organizations (but demonstrate that the results are robust to including all IOs). As we show below, these regional organizations cover a variety of issues, including economic, political, and social goals. The level of analysis is the country-year.

Dependent Variable

We expect that a country's embeddedness in a network of highly corrupt regional organizations increases the likelihood that it experiences an increase in corruption at the domestic level. We therefore 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 provided by the International Country Risk Guide (ICRG), which provides an assessment of political risks associated with corruption within a country's political system, including financial corruption in the form of demands for special payments and bribes, excessive patronage, nepotism, job reservations, 'favor-for favors', secret party funding, and suspiciously close ties between politics

[66] We thank Jon Pevehouse for sharing these data. Note that the availability of different corruption indices varies over time and across countries, which leads to changes in the sample size under analysis. We removed AfricaCare from the set of regional IOs since it is a nongovernmental organization.

and business.[67] The ICRG's corruption measure registers small values for high corruption and large values for low corruption. Since we are interested in whether IO embeddedness in corrupted networks increases domestic corruption, we calculate the inverse of the ICRG measure, such that larger values register greater levels of corruption. The variable, as we have transformed it, ranges from 0 to -6, with 0 representing high corruption and -6 representing low corruption.

We average a country's annual corruption scores over a three-year period because corruption tends to change slowly over time. Many scholars argue that it is difficult to analyze effects of corruption in time series analysis because of the slow-changing nature of corruption and thus call for the use of periods or single cross sections.[68] One main disadvantage of using a single cross section is that one either has to use the entire sample period under analysis – and averaging variables over a 30-year period is problematic for many reasons – or to pick particular (smaller) time periods to average across – where the choice of the period is arbitrary. To find a balance between the problems that are created by either using annual or cross-sectional data, we begin by using 3-year periods that allow sufficient time for effects while not lumping historical events into

[67] There exist alternative corruption indicators, notably the corruption score of the World Governance Indicators, and Transparency International's corruption index. All indicators are based on the subjective evaluations of experts or survey respondents who are asked how widespread corruption is in each country in a given year. Each indicator has its advantages and disadvantages. We chose to focus the analysis on the ICRG measure because its measurement most closely resembles the type of corruption we would expect political leaders to be engaged in and it also provides a better assessment of the political risks associated with corruption. In addition, the ICRG index has a longer time series, and does not experience significant changes in methodology which makes over time comparisons of the other indexes, particularly the CPI index, much more challenging. In fact, the ICRG data is used in the construction of the WGI corruption index. Nevertheless, the correlation between these three indicators tends to be very high (above 0.9), and we show that our main results are robust to using these alternative corruption indicators, including also the bribery incidence index from the World Bank, which is an objective measure of bribery (but has much fewer observations).

[68] For an excellent overview, see Treisman (2007). There are a number of other criticisms, notably the subjective nature of the measurement (as it measures perceptions rather than actual incidences of corruption), the difficulties of cross-country comparisons, and the aggregation of sources in the WGI and CPI index. Unfortunately, alternative data are not readily available across a large number of countries. Whereas there are an increasing number of surveys that gauge actual incidences of corruption, analysis shows that these are correlated with the perception indices (Lambsdorff 2004; Treisman 2007). To deal with these issues of cross-time (in)stability of the measures, we average our data over three and five-year periods. To deal with potential problems arising from using subjective measures of corruption, we re-estimate our main model using the World Bank Enterprise Survey data, which measures the incidence of bribery as an objective measure of corruption (as compared to the subjective ICRG measure).

one category. We also show that the core results are robust to estimations that analyze five-year periods, a single cross-section, as well as annual data.

Independent Variable

Our main explanatory variable is the "embeddedness" of a country in a network of regional organizations with different levels of corruption among member states. To calculate *Embeddedness*, we proceed in four steps:

1. For each regional organization in the COW IGO data set, we calculate the average level of corruption for all member states in each year (*excluding the corruption score of the country under observation*).[69] For the calculation, we include only those countries that have full membership in the IGO.
2. For each country and year, we average the corruption score of individual IOs across all regional organizations in which the country is a full member.
3. We multiply this average score by -1, such that larger values of *Embeddedness* imply participation in more corrupt networks of IOs, and smaller values imply participation in less corrupt networks of IOs.
4. We average the data over three-year periods, corresponding with the periods of the dependent variable.

Our measure of *Embeddedness* varies both across countries and over time as a function of both changing memberships in IOs and also changes in other countries' corruption scores. Figure 1 provides an illustration for Thailand between 1986 and 2011. The round dots provide information on the country's *Embeddedness,* while the diamonds indicate Thailand's domestic *Corruption* score for each year. For both measures, larger values indicate higher levels of corruption. The graph nicely illustrates how both *Corruption* and *Embeddedness* co-vary over time. During the 1990s, Thailand was embedded in a network of less corrupted IOs (represented by lower *Embeddedness* scores), including organizations such as the APEC and the Asian Development Bank. During the first decade of the 2000s, however, Thailand's associations

[69] The results do not change substantively if we include the country under observation in the calculations. We decided to exclude the country in order to minimize concerns that the corruption score of the country might drive the average corruption in any regional organization. Results of the alternative calculations are available upon request.

changed noticeably in character, as it both joined new organizations with more corrupted members—such as the International Tripartite Rubber Organization (ITRO) in 2001[70]—and saw an increase in corruption by its existing IO member peers, such as in ASEAN, APEC, the Asia-Pacific Telecommunity, and the Asian-Oceanic Postal Union (AOPU). This shift towards more corrupted *Embeddedness* in the network is in close sync with a worsening of the country's *Corruption* scores at the national level.[71]

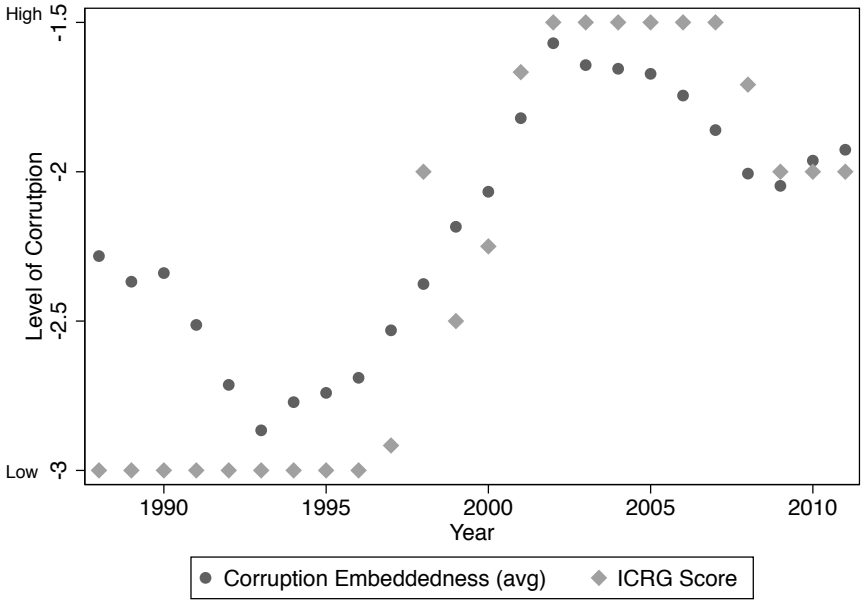


Figure 1: Corruption and Embeddedness in Thailand

Another example is Poland, which sought membership in a number of more corrupt IOs—such as the Council of Baltic Sea States (CBSS), the Central European Initiative (CEI), and the Central European Trade Association (CEFTA)—after its independence at the end of the Cold War. Figure 2 indicates that the country's *Embeddedness*—its participation in a network of highly corrupted IOs—is also followed by a worsening in Poland's national *Corruption* scores, although the worsening is more delayed than in the Thai case. This worsening trend is only

[70] Most of the changes in Thailand's *Embeddedness* are a consequence of changes in corruption scores of its peers (or new members joining IGOs in which Thailand was a member). Between 1986, Thailand was a consistent member of ten regional organizations, and joined another five regional organizations since the 1990s.

[71] We note that changes in national C*orruption* tend to lag behind changes in the country's *Embeddedness* score for about a couple years. This positive relationship provides support for earlier work on the positive effects of IO membership. Nevertheless, the graph also demonstrates a relationship between *Embeddedness* in more highly corrupt networks and an increase in the country's national *Corruption*.

temporary: the country also experienced a small improvement in national *Corruption* (i.e., scores declined), which coincided with a decline in its *Embeddedness* scores during the 1990s. After its accession to the EU in 2004, we observe only a very slight improvement in Poland's *Corruption* score, without a more sustainable improvement. This is interesting given the common notion that EU membership should have improved Poland's good governance more steadily.

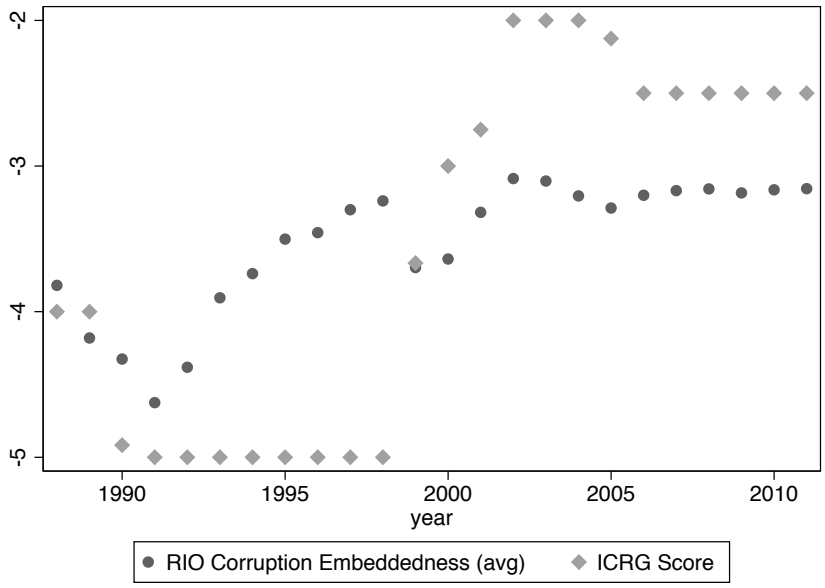


Figure 2: Embeddedness of Poland

Of course, Thailand and Poland are just two examples of variations in *Embeddedness*. Generally, we find over-time variation in most countries' *Embeddedness* score. Sometimes these changes are consistently positive, sometimes they are consistently negative, and sometimes they are both positive and negative (as in the Thailand example). In our main analysis, we analyze the impact of both positive and negative changes in the IO *Embeddedness* score. We show, however, that our results hold when only analyzing cases where countries experience an increase in IO corruption *Embeddedness*.

Control Variables

We control for a number of potential confounding economic and political factors that are commonly included in the literature seeking explanations for corruption. On the political level,

we control for the level of democracy and regime durability. *Democracy* is measured as the level of democratic quality using Polity IV data (our results are robust to using Freedom House data). *Regime Durability,* also drawn from Polity IV, is measured as the number of years that any given regime survived.[72] On the economic level, we 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. Data are from Gleditsch (2002). *Trade Openness* is the sum of a country's exports and imports, divided by its GDP. Data are from Barbieri and Keshk (2012). Whereas we keep our main models as parsimonious as possible, we include a number of additional control variables in our robustness checks, which we discuss below. All control variables are averaged across three-year periods for the main estimations. Appendix A provides descriptive statistics for all variables.

Model Specification

The time-series cross-sectional nature of the data raises concerns of heteroscedasticity and serial correlation. We estimate a panel model with fixed effects (and thus only use within country variation to identify effects). The fixed effects estimator controls for unobserved country heterogeneity that is constant over time. This procedure is warranted because the time independent country effects are significant in the regression and the results of the Hausman test suggests that alternatives would render the coefficients inconsistent and biased. The main model is specified as

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

where Y_{it} denotes the extent of *Corruption* for each country-year, E_{it} is the variable for *Embeddedness*, X_{it} is the 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. We first estimate our models on the entire sample of countries, and then show that the results are consistent when we use samples of only OECD, and also non-OECD, countries.

[72] Marshall et al. 2013.

EMPIRICAL RESULTS

Table 1 presents the results of our main analysis. Model 1 is the baseline model, which only includes our measure of *Embeddedness*. Model 2 is our main model on the full sample, which includes the entire set of control variables discussed in the research design section. Model 3 re-estimates this model only on the sample of non-OECD countries, and Model 4 estimates the model on the sample of OECD countries. Overall, the model fits the data very well. The highly significant F-tests and the reasonably large R^2 across all model specifications indicate that together the variables explain a large 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 Embeddedness on National Corruption, 1986-2012

	Model 1 (Baseline)	*Model 2* (Full)	*Model 3* (Non-OECD)	*Model 4* (OECD)
Embeddedness	0.916**	0.360**	0.148*	0.172**
	(0.043)	(0.037)	(0.065)	(0.033)
Democracy		-0.043**	-0.033**	-0.247**
		(0.005)	(0.006)	(0.052)
PC GDP (log)		-0.187**	-0.163**	-0.828**
		(0.012)	(0.014)	(0.172)
PC GDP Growth (%)		0.002	-0.000	0.074**
		(0.006)	(0.005)	(0.020)
Trade Openness		-0.039	0.006	-0.036**
		(0.028)	(0.053)	(0.007)
Regime Durability		-0.011**	-0.005**	-0.003**
		(0.001)	(0.001)	(0.001)
Constant	-0.692**	-0.056	-0.793**	6.853**
	(0.106)	(0.109)	(0.099)	(1.663)
Observations	1187	1004	810	192
R^2	0.356	0.505	0.155	0.341
F-Test	463.03**	1573.06**	909.55**	19.73**

DV: National Corruption (ICRG)
Standard errors in parentheses
* p<0.10, ** p<0.05

Turning to the substantive effects, we find support for the central observable implication of our theoretical argument. The level of *Embeddedness* is positively and significantly correlated with a country's change in corruption score. Specifically, a one-unit increase in a country's *Embeddedness* score—representing an increase in their association with a network of highly

corrupted IOs—leads to a 0.4-unit increase in their national *Corruption* score. Given that this measure of *Corruption* can vary between -6 (lowest corruption) and 0 (highest corruption), the increase is substantively quite large as it implies a 15% move on the minimum-maximum *Corruption* scale. Over all models (including the robustness checks that are discussed below), the coefficient ranges from 0.15 to 1.02 with an average of 0.41, which provides confidence that the substantive results are relatively robust. Moreover, *Embeddedness* exerts a significant effect on national corruption independent of whether we use the full sample, the non-OECD sample, or the OECD sample.

Whereas we are interested in the effects of *Embeddedness* 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 *Embeddedness* (towards a network characterized by less corruption). Specifically, our current operationalization allows us to analyze whether *Embeddedness* and national corruption levels are positively correlated, but this positive correlation could owe to the virtues effect only. To analyze this possibility, we split the sample into observations with *Embeddedness* growth (the vice argument) and with *Embeddedness* decline (the virtue argument). That is, the first sample (results in Model 1 of Table 2) only includes country-year observations where the country's *Embeddedness* in regional organizations experienced a decrease in corruption. A significantly positive coefficient in this second sample would indicate that a decline in *Embeddedness* would lead to a decline in national *Corruption,* in line with the existing reasoning in the literature. The second sample (results in Model 2 of Table 2) only includes country-year observations where the country's embeddedness in regional organizations experienced an increase in corruption (vice). A significantly positive coefficient in this sample would indicate that an increase in *Embeddedness* leads to an increase in national *Corruption,* thereby supporting our main theoretical argument. In addition, we discussed in the theory that the effect of Embeddedness on government behavior may be stronger in countries that already experience a certain level of corruption. Countries that have better governance may be less easily convinced and able to implement more corrupt policies at home even if it participates in a large number of vice-ridden IOs. Consequently, in Model 3 of Table 2 we analyze whether the vice effect of Embeddedness holds for members that have lower corruption than the average membership in the IOs that they are members in. A significantly positive coefficient in this sample would indicate that that an

increase in *Embeddedness* leads to an increase in national corruption of countries that originally were less corrupt than the regional organizations in which they are members in.

Table 2 presents the results, and shows that the degree of member-driven corruption in an IO network indeed has an effect on members' domestic politics in both directions. Countries that are embedded in a network of less highly corrupt IOs (Model 1) likely experience a significant decline in domestic corruption, while countries that are embedded in a network of highly corrupt IOs (Model 2) likely experience a significant increase in domestic corruption. Although our empirical approaches vary, the former finding is entirely consistent with Pevehouse (2010), who emphasizes the positive value of cooperation for corruption and other findings in the literature that discuss the positive effects of international integration on good governance indicators, such as democracy and human rights.[73] In addition, the results in Model 3 indicate that governments experience a worsening of their national corruption even if they were initially less corrupt then the average membership in the IOs in which they are members.

Table 2 Vices and Virtues of Embeddedness

	Model 1 (Virtue)	Model 2 (Vice)	Model 3 (Vice/Distance)
Embeddedness	0.227*	0.380**	0.588**
	(0.104)	(0.062)	(0.047)
Democracy	-0.036**	-0.049**	-0.030**
	(0.005)	(0.008)	(0.002)
PC GDP (log)	-0.261**	-0.153**	-0.069**
	(0.052)	(0.030)	(0.021)
PC GDP Growth (%)	-0.001	0.005	0.008
	(0.006)	(0.009)	(0.011)
Trade Openness	-0.023	-0.045	-0.039**
	(0.070)	(0.025)	(0.010)
Regime Durability	-0.011**	-0.011**	-0.009**
	(0.001)	(0.001)	(0.001)
Constant	0.298	-0.332*	-1.027**
	(0.303)	(0.168)	(0.106)
Observations	405	599.000	428
R^2	0.372	0.567	0.708
F-Test	154.09**	327664.69**	878.01**

DV: National Corruption (ICRG)
Standard errors in parentheses
* p<0.10, ** p<0.05

[73] Pevehouse 2002; Greenhill 2015.

These analyses provide strong support for the general idea that a country's membership in a network of IOs with highly corrupted (or otherwise vice-ridden) membership increases that country's propensity domestically to engage in the abuse of power. Yet, we may also be interested in whether national institutions can mitigate the negative effect potentially. As we discussed above, our theoretical argument implies that bad governance is less easily transmitted to countries that have highly capable and independent enforcement institutions. Such institutions are difficult to change, they are likely to monitor and sanction corruption, and thereby raise the domestic costs of engaging in political vice.

To test whether strong domestic institutions can mitigate the vice effect of embeddedness, we now analyze whether the embeddedness 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 vice. 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. We then interact *Rule of Law* with *Embeddedness* and re-estimate our core model (Table 1, Model 2) including the interaction effect. To interpret the interaction results, we present the results graphically (a full set of estimates is in Appendix H). Figure 3 presents the results. The solid line presents the marginal effects together with 95% confidence intervals (dashed lines). We also included the Kernel density estimate for *Rule of Law*, whereby the horizontal solid line presents the mean value in the sample. The findings largely support our argument. Where courts have greater capacity to enforce contracts independently from government intervention, membership in vice-ridden IO networks is less likely to foster the spread of corruption domestically. However, the contagion effect remains significant for independent judiciaries as well as for intermediate levels of the rule of law—only at the highest level of the rule of law does the effect likely dissipate.[74]

[74] As an alternative to the World Bank measure of Rule of Law, Stanton and Linzer (2015) have developed a measurement model to generate a new time series, cross-sectional measure of *Judicial Independence* (*S&L)*, which is available through 2010. When we use this measure instead we find suggest a slight, though insignificant, decline. While local enforcement capacity appears to dampen the spread of political vice from IOs to member countries, membership in a vice-ridden IO network still increases the likelihood that corruption spreads even where local judicial institutions are independent and the rule of law is well—if not perfectly—established. Results are available in Appendix H.

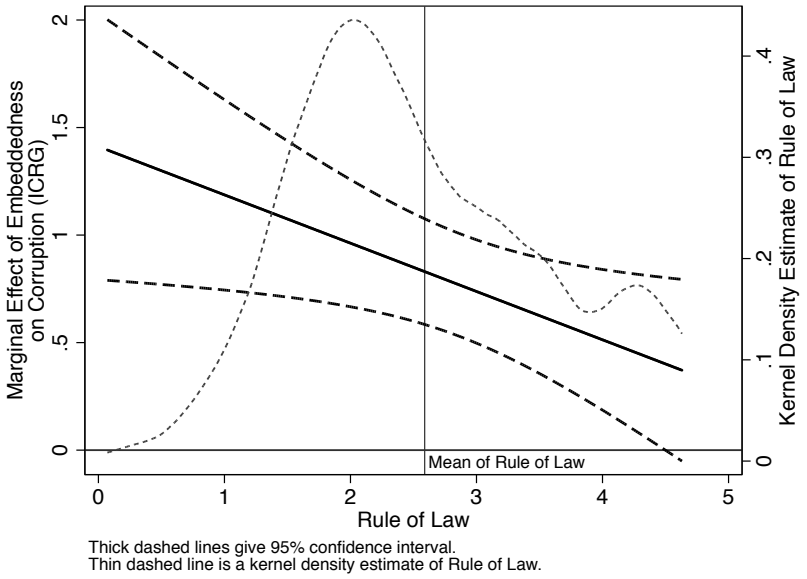


Figure 3: The Effect of Embeddedness for Different Levels of Domestic "Rule of Law"

Finally, the findings for the control variables 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. Regime *Durability* also significantly decreases the level of corruption. Similar to other studies, we also find that the level of economic *Development*, and *Economic growth* have negative effects on the level of corruption. The other control variables point in the expected direction, but the effects are not significant at conventional levels.

Robustness Checks

To ensure that these results are robust, we have also conducted a number of additional tests, which we discuss briefly here. Full results can be found in the appendix.

One major concern is omitted variable bias (OVB), where factors that drive corruption in a country could also drive its leaders' initial decision to become embedded in more corrupt regional organizations. For example, countries that are more corrupt *ex ante* could be more likely to seek membership in more corrupt networks of organizations. Even if Embeddedness had no effect on national corruption, the selection on unobservables could lead to a falsely positive result. In our case, OVB could occur because there may be a common trend or shock where a

group of countries in an IO backslide towards corruption, which would create the appearance of negative diffusion even though it is related to unobservable factors. Or, a group of corrupt-trending countries could form a regional organization that would create the same appearance of negative diffusion.

Although we do not have a good instrumental variable for *Embeddedness*, it is possible to analyze the likely effect that OVB would have in our case. Oster (2013) suggested a test to quantify how large the selection on unobservables must be to overturn the estimated effects, under the assumption of proportional selection between observables and unobservables (see also Chaudoin et al. 2015). The δ-statistic of proportional selection that would force the treatment effect of *Embeddedness* to be zero is 7.33 for our main model, which is significantly larger than the critical value of $\delta^{*}=1$ (δ's above that value imply that the selection of unobservables is unlikely to drive the results for our main explanatory variable).[75] In addition, we can analyze what the estimate of the treatment effect would be under the assumption that selection on unobservables is at least as important than selection on observables (δ=1). In other words, what would the effect of *Embeddedness* likely be if there was a set of orthogonal (to the current covariates) unobservable confounders that explained at least as much of the variation in national corruption and were correlated with *Embeddedness*? The estimate of the treatment effect is β=0.82, which is comparable to our coefficient of Embeddedness in the baseline regression (0.87).[76] Consequently, it is unlikely that omitted variable bias drives our main findings.

Appendix B includes different sets of additional control variables. First, it could be that our measure of *Embeddedness* captures regional diffusion of corruption, rather than diffusion through institutional mechanisms such as regional IOs. To account for this, we add an explanatory variable measuring the average level of corruption in the country's home region (Model 1), as defined by the Polity IV project. Second, we add a number of additional political control variables to the model that have been used in other empirical models of corruption (Model 2). Specifically, we control for the number of IO memberships a country has, inter- and

[75] We use STATA's *psacalc* package, which was provided by Oster (2014), to calculate δ. The results are based on estimating the main model (Model 1) in Table 1 using OLS with country fixed effects. We also used the *poet* package provided by Chaudoin et al. (2015), with similar results.

[76] Since we have to use OLS, the baseline coefficient is larger than the one in our main model. See also fn. 73.

intrastate conflict (Data from the COW Intra-State and Inter State War Data sets),[77] the amount of FDI inflows to a country as a share of that country's GDP (data are from UNCTAD), whether the country is a presidential system, the government's vote share, the mean district magnitude (log), and the percentage of Protestants. Data for political variables are from the Database of Political Institutions,[78] while data for Protestants are from the World Religion Project. As an alternative to intrastate conflict, Model 3 adds a variable for domestic political demonstrations, drawn from the Cross-National Time-Series Data Archive (2011). Finally, we substitute our average *Embeddedness* measure with a *Maximum IO Corruption* measure, under the logic that participation in even one highly member-corrupted IO—rather than the average across all memberships—could produce this effect. This measure uses the highest corruption score of the IOs that a country is a member of. Our main findings are robust across all these specifications. Corruption appears to spread through IOs among members.

Appendix C demonstrates that the findings are robust to using different measures of corruption. Model 1 replicates the main model using the ICRG score, as described above. Model 2 uses the World Bank's World Governance Indicators (WGI) control of corruption score, which captures perceptions of the extent to which public power is exercised for private gain, as well as capture of the state by elites and private interests.[79] Model 3 uses Transparency International's Corruption Perceptions Index (CPI) score, which measures the perceived level of public sector corruption in a country in a given year. Model 4 uses the World Economic Forum's Global Competitive Index (GCI) indicator of ethics and corruption in public institutions. Model 5 uses the World Bank Enterprise Survey's data on bribery incidence, which measures the percentage of firms experiencing at least one bribe payment request. Note that *Embeddedness* is estimated in the way described in the research design above using these different underlying data, which cover slightly different countries and time periods.[80] The results indicate positive and significant

[77] Reid Sarkees 2010.
[78] Beck et al. 2001.
[79] Kaufman et al. 2010
[80] The WGI is available from 1996-2002 (every two years) and then annually until 2013. CPI is available from 1995-2013. Since the methodology for the CPI index changed significantly in 2012, we only include data until 2011. We use the inverse of both indicators (averaged over three-year periods) such that larger values on each variable indicate more corruption. Averaging over five-year periods does not change the results substantively. Results are available upon request. The Bribery Incidence data is available from 2006-2013, with different country coverage each year. Since data availability is much

effects for all five specifications. An increase of a country's *Embeddedness* in a corrupt IO network leads to an increase in the perception of domestic *Corruption* no matter which index is used.

Our empirical analysis focuses on corruption as one important indicator of the quality of governance, however, our theory is generalizable to other forms of vice-ridden behavior that leaders can choose to adopt (at least those where institutions and practices can be revised more easily). Appendix D analyzes whether our statistical results are robust to using other indicators of bad governance. In Model 1, we rely on the World Bank's WGI indicator of Voice and Accountability to capture perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Model 2 relies on their indicator of the Rule of Law to gauge 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, as well as the likelihood of crime and violence. Regulatory Quality (Model 3) captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Government Effectiveness (Model 4) captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. For all indicators, we calculated the relevant embeddedness scores, such that for example the level of regulatory quality in a country is affected by the embeddedness of that country in regional organizations with different average levels of regulatory quality. The results show that our findings on the diffusion of corruption carry over to other governance indicators (with the exception of the Voice and Accountability indicator).

Appendix E analyzes the effect of *Embeddedness* for different types of international organizations, as perhaps corruption is more likely to occur and spread through certain types of organizations. Model 1 includes a measure of *Embeddedness* that is based on the entire sample of international organizations (including universal and cross-regional organizations). Model 2 generates *Embeddedness* using only the sample of regional organizations that mainly focus on

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lower, we estimate the model without fixed effects, with robust standard errors. Since the dependent variable Bribery (Incidence) is not normally distributed, we use its natural log.

economic issues, such as trade and finance. Model 3 restricts the sample to regional organizations that focus on political issues, and Model 5 restricts the sample to regional organizations that focus on social issues. The effect of *Embeddedness* is consistently positive and significant across all those specifications.

Appendices F and G analyze the robustness of our results to changes in the model specification. Model 1 in Appendix F adds a lagged dependent variable, while Model 2 uses a lagged value of our main independent variable (*Embeddedness*). Model 3 uses random instead of fixed effects. Model 4 includes country and period fixed effects, and Model 5 includes region and period fixed effects. Models 1 and 2 of Appendix G estimate our main model using annual data. Since we would not expect an immediate effect of Embeddedness on national corruption, we lag Embeddedness by one year (Model 1) and two years (Model 2). Model 3 estimates our main model using five-year period data, and Model 4 analyzes one cross section. Our main findings are robust to these alterations.

CONCLUSION

One of the central reasons that states delegate to international organizations is to promote good governance—an accountable process for decision making and implementation—among members. While IOs are not always successful in achieving these goals, an abundance of studies emphasize their beneficial effects for states. IOs have helped their member governments take up and implement norms and procedures to develop and protect democracy, human rights and the rule of law; to lower barriers to trade, investment and migration; to lock in domestic regulatory policies to reduce climate change and the proliferation of nuclear weapons; and much more. More generally, they are intended to provide venues to reduce transactions costs, uncertainty and incentives to defect that can prevent member states from cooperating.

Alongside these positive virtues, however, is another—darker side—to cooperation that has received far less attention. Depending on who is collaborating, some of the very same institutional mechanisms that incentivize good governance among IO members can instead incentivize political vice. Vices—such as corruption and the abuse of political power—risk spreading among political leaders participating in networks of organizations characterized by vice-ridden memberships. Who leaders cooperate with affects how IOs influence their politics. Vice-ridden organizations are unlikely to create, monitor or enforce formal or informal standards

to promote good governance among their members: leaders engaged in bad governance will not draw attention to their behavior. And leaders surrounded by vice may come to believe that the abuse of power is common, acceptable, or even desirable. This effect is only partially abated in the context of strong and independent local enforcement institutions.

This paper leverages a wide variety of data to show that countries that are embedded in a network of highly corrupted IOs are significantly more likely to experience an increase in corruption than are countries embedded in a network of more honest brokers. Moreover, the spread of vice is not limited to corruption but is a more general trend—many forms of bad governance spread. The value added of our approach is threefold. First, the study of corruption has been mainly 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 and quality of governance.[81] Understanding the ways in which these organizations may affect states' governance practices offers to provide new insight into the sources of political vice, and thus perhaps also the remedies. One implication is that extending IO memberships to countries characterized by extensive corruption may serve to exacerbate—and spread—the problem much in the same way that extending membership to repressive states has done so.[82] This suggests that policies of engagement—by encouraging formal institutional cooperation with vice-ridden states—may have deleterious consequences.

Second, our approach adds to the growing scholarship on social networks in international relations.[83] We highlight the crucial point that states—and their leading decision makers—are often enmeshed in a complex web of IOs.[84] We argue that political leaders can learn and adapt—and therefore socialize into—corrupt networks in international organizations in a very similar way that newcomers in private organizations do. And we explain why it is often that web rather than any single membership in an IO that shapes leaders' political incentives.

Finally, our research highlights a more complex, darker side of cooperation. While IOs are generally designed to solve cooperation problems and promote better governance, their makeup in terms of who seeks and is let into these clubs can also have a pernicious effect on their

[81] Pevehouse 2010.
[82] Hafner-Burton 2013; Greenhill 2015.
[83] Ingram, Robinson and Busch 2005; Hafner-Burton and Montgomery 2006, 2008; Lupu and Traag 2013; Greenhill 2015.
[84] Raustiala and Victor 2004; Alter and Meunier 2009.

members. The effects on states of international cooperation through institutions look different depending on who is at the table. Whereas existing studies have focused mainly on the positive effects of international integration to reduce political vice, our analysis emphasizes the ways in which integration can promote the spread of bad governance.

APPENDICES

Appendix A: Descriptive Statistics

	Mean	SD	Min	Max
Corruption (ICRG)	-2.985502	1.297411	-6	0
Embeddedness	-2.501947	.8762435	-5.366739	-.8123886
Democracy	2.963479	6.806997	-10	10
PC GDP (log)	8.529984	1.298744	5.091393	11.49952
PC GDP Growth (%)	2.135151	6.008209	-30.25499	58.00999
Trade Openness	.4894237	1.368786	-.0032219	19.11726
Regime Durability	26.67364	31.44709	0	199
N	1004			

Appendix B: Embeddedness and Corruption - Other Control Variables

	Model 1 Regional Diffusion	Model 2 Political Variables	Model 3 Protests	Model 4 Maximum Embeddedness
Embeddedness	0.369**	0.270*	0.694**	
	(0.036)	(0.121)	(0.063)	
Embeddedness (max)				0.267**
				(0.034)
Democracy	-0.042**	-0.007	-0.026**	-0.041**
	(0.005)	(0.019)	(0.007)	(0.005)
PC GDP (log)	-0.184**	-0.135**	-0.078**	-0.215**
	(0.012)	(0.031)	(0.028)	(0.023)
PC GDP Growth (%)	0.002	-0.012	0.006	0.002
	(0.006)	(0.007)	(0.005)	(0.005)
Trade Openness	-0.036	-0.074**	-0.010	-0.046
	(0.028)	(0.019)	(0.022)	(0.029)
Regime Durability	-0.011**	-0.013	-0.010**	-0.011**
	(0.001)	(0.007)	(0.001)	(0.001)
Regional Corruption (avg)	0.888**			
	(0.045)			
FDI Inflows (% GDP)		-2.288		
		(1.142)		
Number of Memberships		-0.006		
		(0.009)		
Interstate Conflict (Dummy)		1.040**		
		(0.322)		
Intrastate Conflict (Dummy)		-0.224		
		(0.267)		
Presidential System		0.152		
		(0.091)		
Government Vote (%)		-0.002		
		(0.002)		
Mean District Magnitude (log)		-0.000		
		(0.000)		
Protestant (%)		-0.000		
		(0.000)		
Domestic Conflict (Protest)			0.089**	
			(0.026)	
Constant	2.603**	-0.648	-0.298**	0.160
	(0.165)	(0.492)	(0.110)	(0.169)
Observations	1004	137	994	1004
R^2	0.552	0.471	0.510	0.497

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix C: Embeddedness and Corruption – Other Corruption Measures

	Model 1 ICRG	Model 2 WGI	Model 3 CPI	Model 4 GCI	Model 5 Bribery
Embeddedness	0.360**	0.176**	0.142**	0.122**	0.117**
	(0.037)	(0.033)	(0.047)	(0.011)	(0.046)
Democracy	-0.043**	-0.031**	-0.044**	0.041**	-0.056**
	(0.005)	(0.002)	(0.008)	(0.004)	(0.018)
PC GDP (log)	-0.187**	-0.333**	-0.771**	-0.400**	-0.153**
	(0.012)	(0.010)	(0.086)	(0.027)	(0.076)
PC GDP Growth (%)	0.002	0.011**	0.025	0.024*	-0.017
	(0.006)	(0.003)	(0.013)	(0.006)	(0.014)
Trade Openness	-0.039	-0.127**	-0.425**	-0.287*	0.013
	(0.028)	(0.030)	(0.101)	(0.086)	(0.104)
Regime Durability	-0.011**	-0.010**	-0.024**	-0.011**	-0.013*
	(0.001)	(0.000)	(0.001)	(0.001)	(0.008)
Constant	-0.056	1.602**	3.948**	0.808	4.000**
	(0.109)	(0.069)	(0.630)	(0.302)	(0.642)
Observations	1004	790	627	236	98
R^2	0.505	0.698	0.720	0.599	0.370

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix D: Embeddedness and Corruption – Other Good Governance Measures

	Model 1 Voice	Model 2 Law	Model 3 Reg. Qual	Model 4 Effectiveness
Embeddedness	0.060	0.164**	0.077*	0.132**
	(0.030)	(0.030)	(0.031)	(0.015)
Democracy	-0.104**	-0.037**	-0.057**	-0.039**
	(0.004)	(0.001)	(0.003)	(0.002)
PC GDP (log)	-0.241**	-0.357**	-0.395**	-0.411**
	(0.019)	(0.012)	(0.007)	(0.005)
PC GDP Growth (%)	0.006**	0.009**	0.009**	0.008**
	(0.002)	(0.003)	(0.003)	(0.002)
Trade Openness	-0.068**	-0.079**	-0.113**	-0.118**
	(0.016)	(0.023)	(0.029)	(0.025)
Regime Durability	-0.004**	-0.009**	-0.005**	-0.007**
	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.497**	1.294**	1.280**	1.775**
	(0.107)	(0.055)	(0.074)	(0.040)
Observations	792	792	791	790
R2	0.860	0.727	0.726	0.762

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix E: Embeddedness and Corruption - IO Types

	Model 1 All IOs	Model 2 Regional Economic	Model 3 Regional Political	Model 4 Regional Social
Embeddedness	1.017**	0.358**	0.385**	0.379**
	(0.095)	(0.036)	(0.037)	(0.039)
Democracy	-0.037**	-0.044**	-0.044**	-0.040**
	(0.006)	(0.005)	(0.005)	(0.006)
PC GDP (log)	-0.163**	-0.189**	-0.172**	-0.159**
	(0.013)	(0.013)	(0.014)	(0.015)
PC GDP Growth (%)	0.004	0.003	0.002	0.003
	(0.006)	(0.006)	(0.005)	(0.006)
Trade Openness	-0.043	-0.037	-0.031	-0.042
	(0.028)	(0.029)	(0.027)	(0.029)
Regime Durability	-0.010**	-0.011**	-0.011**	-0.010**
	(0.001)	(0.001)	(0.001)	(0.001)
Constant	1.358**	-0.047	-0.146	-0.283**
	(0.196)	(0.115)	(0.096)	(0.074)
Observations	1005	998	994	927
R^2	0.510	0.506	0.512	0.498

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix F: Embeddedness and Corruption - Model Estimation

	Model 1 LDV	Model 2 Lagged IV	Model 3 Random Effects	Model 4 Period	Model 5 Region
Corruption (ICRG) $_{(t-1)}$	0.038				
	(0.094)				
Embeddedness	0.271**	0.157**	0.667**	0.360**	0.377**
	(0.074)	(0.067)	(0.066)	(0.037)	(0.074)
Democracy	-0.007	-0.018**	-0.026**	-0.043**	-0.048**
	(0.007)	(0.005)	(0.007)	(0.005)	(0.007)
PC GDP (log)	-0.059**	-0.137**	-0.083**	-0.187**	-0.280**
	(0.023)	(0.033)	(0.026)	(0.012)	(0.044)
PC GDP Growth (%)	0.007	0.004	0.007	0.002	0.003
	(0.013)	(0.010)	(0.006)	(0.006)	(0.007)
Trade Openness	-0.104**	-0.104**	-0.019	-0.039	-0.032
	(0.009)	(0.019)	(0.023)	(0.028)	(0.032)
Regime Durability	-0.016**	-0.016**	-0.011**	-0.011**	-0.010**
	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)
Constant	-1.182**	-0.900**	-0.253**	-0.056	1.615**
	(0.243)	(0.157)	(0.085)	(0.109)	(0.474)
Observations	252	310	1004	1004	859
R2	0.367	0.361	0.503	0.505	0.592
Country Fixed Effects	Yes	Yes	No	Yes	No
Region Fixed Effects	No	No	No	No	Yes
Period Fixed Effects	No	No	No	Yes	Yes

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix G: Embeddedness and Corruption – Period

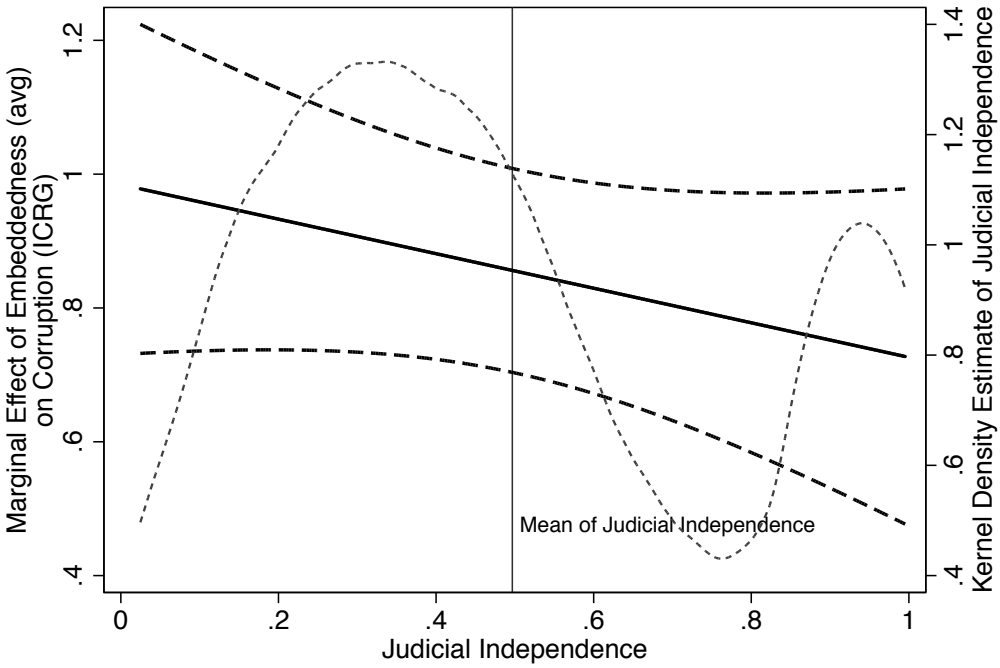
	Model 1 Annual (t-1)	Model 2 Annual (t-2)	Model 3 5-year Periods	Model 4 Cross-Section
Embeddedness	0.738**	0.668**	0.376**	0.530**
	(0.083)	(0.081)	(0.057)	(0.130)
Democracy	0.000	0.007	-0.040**	-0.024*
	(0.011)	(0.011)	(0.008)	(0.014)
PC GDP (log)	0.049	0.112	-0.184**	-0.151**
	(0.199)	(0.203)	(0.011)	(0.068)
PC GDP Growth (%)	0.001	0.001	0.002	0.008
	(0.001)	(0.001)	(0.007)	(0.029)
Trade Openness	0.020	0.024	-0.037	-0.055
	(0.020)	(0.022)	(0.034)	(0.064)
Regime Durability	0.002	0.004	-0.011**	-0.012**
	(0.005)	(0.005)	(0.001)	(0.003)
Constant	-1.604	-2.359	-0.012	0.064
	(1.724)	(1.755)	(0.125)	(0.490)
Observations	3101	2981	637	135
R^2	0.185	0.172	0.516	0.651

Standard errors in parentheses
* p<0.10, ** p<0.05

Appendix H: Embeddedness and Corruption – Interaction with Rule of Law and Judicial Independence

	Model 1 Rule of Law	Model 2 Judicial Independence
Embeddedness (avg)	1.412**	0.984**
	(0.313)	(0.153)
Rule of Law	-1.034**	
	(0.306)	
Judicial Independence		-2.355*
		(1.227)
Interaction	-0.225**	-0.258
	(0.100)	(0.244)
Democracy	0.017	0.023
	(0.018)	(0.021)
PC GDP (log)	0.106	0.113
	(0.195)	(0.212)
PC GDP Growth (%)	0.005	0.002
	(0.005)	(0.004)
Trade Openness	0.052	0.022
	(0.044)	(0.026)
Regime Durability	0.020**	0.005
	(0.007)	(0.007)
Constant	0.147	-0.900
	(1.897)	(1.893)
Observations	644.000	1004.000
R^2	0.308	0.277
F-Test	12.454	19.241

Standard errors in parentheses
* p<0.10, ** p<0.05



Thick dashed lines give 90% confidence interval.
Thin dashed line is a kernel density estimate of Judicial Independence.

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