

# Corruption and country size: literature review and suggestions for further research

Saarniit Leno, Sarapuu Külli

## Abstract

The research on the causes and determinants of corruption has already long traditions: there are numerous empirical and theoretical studies on how factors such as economic development and openness to competition, democracy, culture, geography and history, size of the public sector, regulatory quality etc. are related to the (perceived) level of corruption. However, one potentially relevant factor – the size of the state, determined by the size of its population – has largely escaped attention. At the same time, it has been well established that the small size of population results in special ‘social ecology’ composed of a closely knit community with highly personalised relationships, informality of interactions, and intertwining of political and administrative roles (Sarapuu and Randma-Liiv 2019). All those characteristics can be expected to impact corruption, but ‘how’ has not been addressed thoroughly.

The existing research on population size and corruption either provides controversial arguments or is lacking in theoretical rigour. First, the most often cited works contradict each other. Some researchers conclude that small states are less corrupt (Root 1999, Fisman and Gatti 2002). Others challenge this statement by pointing out that the correlation between size and corruption is a result of sample bias, as the international corruption indexes only include information on small states that are of interest to the international investors and well governed (Knack and Azfar 2003). Second, the existing research often focuses on one aspect of being small like economic development (Bräutigam and Woolcock 2001, Findlay 1997), trade intensity (Knack and Azfar 2003), effectiveness of anti-corruption mechanisms (Larmour and Barcham 2006) or democratic transition (Moran 2001). There is a lack of thorough discussion what it means to be a small state and how it might encourage or discourage corruption. Thus, the question is what kind of “larder” (De Graaf and Huberts, 2008, Fernando and Bandara 2019) a small state creates for combating corruption. Third, there is no clear understanding where is the threshold for being ‘small’ from the perspective of corruption. The line between small and big has been drawn at the population size of one million (Knack and Azfar 2003) and five million (Bräutigam and Woolcock 2001), other studies do not define it at all (Findlay 1997, Larmour and Barcham 2006, Moran 2001).

Consequently, there is the need to take a close look at the nature of the potential relationship between states’ size and corruption, and to discuss how it could be studied empirically. The need can be addressed by bringing together two streams of academic studies that have evolved rather independently thus far – the one on corruption and the one on small states that shows an increasing trend (for instance, Corbett and Veenendaal 2018; Randma-Liiv and Sarapuu 2019, lately). The aim of the paper is to review the existing literature on the determinants of corruption in the light of small state studies, to formulate propositions on the function of size and to suggest an analytical framework for further studies on the relationship between the size of the country and corruption.