A DARK SIDE OF COOPERATION: WHEN INTERNATIONAL ORGANIZATIONS SPREAD POLITICAL CORRUPTION

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Abstract

Much of the literature on international organizations (IOs) has focused on the beneficial value they provide to members. Yet depending on their membership, some of the very same mechanisms that incentivize good governance can instead incentivize political corruption. Our central argument is that state participation in corrupted international networks is likely to incentivize political corruption domestically. This process occurs for two reasons. First, groups of corrupted states are more reticent to create, monitor or enforce formal good governance standards against other IO members. Second, leaders may witness the value of political corruption to their IO peers and learn to act the same way. Using a variety of data sources and estimation strategies, we demonstrate that countries that participate in a network of member-corrupted IOs are significantly more likely to experience an increase in corruption domestically than are countries that participate in a network of more honest brokers. Moreover, this diffusion effect occurs even among IOs that have adopted formal anti-corruption mandates: the effectiveness of formal good governance rules crucially hinges on the characteristics of members within an international organization.

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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 govern interactions among them. Among its many harmful effects, corruption adversely affects economic performance, including domestic economic growth and local government investment (Dreher and Siemers 2009). It deters direct foreign investment, exacerbates income inequality, and can impede trade and aid (Gupta et al. 1998; Lambsdorff 1999; Mathur and Singh 2011).

International organizations (IOs) have put themselves at the forefront of international efforts to combat the problem. A growing number of IOs have crafted formal 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 that should in principle impede corruption among members, creating a network of actors interacting within and across multiple organizations that shapes the traditions and institutions by which authority in a country is exercised (Hafner-Burton, Kahler and Montgomery 2008). Despite these regulatory developments, little is known about the role IOs play in influencing corruption among their members or the extent to which anti-corruption mandates help to alleviate the problem. The literature on corruption has focused mainly on domestic politics while the literature on the promotion of good governance through IO networks has focused more squarely on the promotion of democracy and human rights.[2]

Our central argument is that the characteristics of IO membership determine whether corruption spreads (or is deterred) through a country's network of organizational affiliations and the extent to which formal anti-corruption mandates are effective at combating the problem. Depending on the makeup of the organizations, some of the very same mechanisms that incentivize good governance within IO member states can instead incentivize the abuse of power and formal rules only weakly ameliorate the problem. A key implication is that state participation in corrupted international networks can incentivize political corruption domestically: certain types of IOs exacerbate rather than ameliorate the problem.

This aggravation may occur for two reasons. The first reason involves enforcement—or the lack thereof. Groups of corrupt states are reticent to delegate authority to monitor or enforce good governance standards against themselves or other member states. While some do officially adopt anti-corruption mandates, corrupt states have few incentives to enforce those standards against one another. The effectiveness of good governance mandates is thus conditional not simply on the presence or formal enforceability of international standards but also on the membership that is ultimately empowered to enforce—or ignore—the rules. Anti-corruption mandates can have some deterrent effect against the spread of corruption, but mainly in organizations that are already composed of better-governed members.

A second way that corruption spreads is through socialization—or learning. When political leaders interact frequently over time, they foster the ability to transmit both goods and information that affect political incentives. Through repeated interaction, the sharing of

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

[2] For example, groups of democratic leaders are more willing than groups of autocrats to impose and enforce conditions for membership in regional organizations that transmit norms of democracy (Pevehouse 2002). Similarly, human rights practices tend to improve when a state participates in a network of IOs with other rights-protecting members (Greenhill 2015).

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 is suitable. When surrounded by cultures of corruption, people can become convinced that political misconduct is acceptable and perhaps even desirable. In the absence of an institutional will among members to enforce anti-corruption measures, elites may apply at home what they have learned from their IO network. While social learning alongside a reticence to enforce good governance standards may foster the spread of corruption, they are not sufficient conditions for corruption to spread through a network of organizations. Leaders must not only believe that their misconduct will go unnoticed or unenforced by their international network, but also by their local governments. We thus analyze the extent to which both the presence of IO good governance mandates and well-functioning domestic legal and judicial institutions deter the spread of political corruption among IO members.

To evaluate the empirical implications of our argument, we employ data on government participation in international organizations over the 1986-2015 period (the period for which the most reliable corruption data exist). We examine the relationship between a country's exposure to member-corrupted IOs—including new data on anti-corruption mandates—and their future levels of political corruption at the national level. Our analysis, which brings together the study of international organizations and state corruption to shed light on a key international source of the problem, provides strong support for our argument. The effects of international cooperation generally, and of formal IO policies to promote good governance specifically, depend crucially on who is cooperating. While IOs are created to advance better governance, their makeup can under some conditions lead to harmful outcomes in their member states that formal rules and regulations cannot stop.

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 (Svensson 2005). 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. 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, including market structure, income, wealth and economic freedoms (Graeff and Hehlkop 2003), the nature of domestic political institutions (Sandholtz and Koetzle 2000), and cultural and social factors like religion and historical tradition (Svensson 2005). Recently, scholars have turned their attention to the international factors that could influence the domestic prevalence of corruption. Among those factors are open trade and competition (Gerring and Thacker 2005; Sandholtz and Koetzle 2000), foreign direct investment (Larrain and Tavares 2004)—although perhaps not in the developing world (Pinto and Zhu 2015)—and global economic integration (Sandholtz and Gray 2003).

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 (Wang and Rosenau 2001; Posadas 2000). These regimes

now include, for example, the 1999 OECD Anti-Bribery Convention establishing legal standards to criminalize bribery of foreign public officials in international business transactions; the 1999 Council of Europe Group of States against Corruption (GRECO), which monitors member compliance with the organization's anti-corruption regulations; and the 2006 African Union Convention on Preventing and Combating Corruption, which addresses corruption in both the public and private sectors. In 2005, the United Nations adopted its Convention against Corruption (UNCAC), which now serves as the only legally binding global instrument to combat corruption. The vast majority of UN member states are parties to the agreement, which delineates standards against many different practices including bribery, trading in influence, abuse of functions, and various acts of corruption in the private sector.[3]

Despite this adoption of wide-ranging international anti-corruption standards, scholars remain principally focused on domestic or economic explanations for state abuse 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 power for private gain. In an early work analzying 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 working paper covering a 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.

General Mechanisms of IO Influence

IOs seek to spread norms of behavior that improve the quality of cooperation and the size of benefits states reap from membership. One way they do so is by providing information about the expectations for member behavior, establishing rules and standards such as those stated by the OECD Anti-Bribery Convention. For a more general example, the EU has established an *acquis communautaire* that lays out precise expectations for membership. Among those expectations 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 (Schneider 2007, 2009).

[3] 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 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.

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 comply 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 to ensure that member states behave according to the common norms (Smith 1987). 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 (Tomz 2007). Some IOs, such as GRECO, provide a similar monitoring function for corruption.

Some IOs also provide enforcement and dispute resolution, which can generate legal, diplomatic or economic pressures that shape incentives for good governance. These provisions can both help to determine liability and to generate 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. It allows investors to invoke international arbitration by filing complaints when they feel wronged by a foreign host government (Milner 2014; Hafner-Burton et al. 2016). These complaints can generate 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 (Milner 1998; Mansfield et al. 2000, 2002; Pevehouse 2002, 2005; Buethe and Milner 2008, 2014). In the realm of corruption, the UNCAC provides explicitly for both dispute resolution and enforcement of asset-recovery between nations.

IOs can also incentivize good governance by linking issues. For example, a growing number of trade agreements have come to play a role in governing state compliance with human rights. When they supply standards that tie material benefits of economic integration to compliance with human rights principles, trade agreements 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 (Hafner-Burton 2005; Kim 2012; Hafner-Burton et al. 2016). Today, many international development organizations have taken up a similar approach, tying foreign aid to standards against corruption in potential recipient states (Hafner-Burton, Lee and Schneider 2017).

Alongside the provision of standards that can be monitored and enforced is another, related, way in which IOs can influence their membership: socialization (Checkel 2005; Goodman and Jinks 2013; Greenhill 2015). Repeated interactions between leaders often 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 leader preferences and interests (Finnemore 1996). In this way, IOs can act as a conduit for the creation and diffusion of norms that influential actors may eventually internalize (Johnston 2001). 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 shared moral code (Risse Kappen 1995). This sense of community and identity may develop unconsciously, as actors adopt the culture and policies that

look similar to their peers (Meyer et al. 1997). They may help to explain how norms of good governance spread (Pevehouse 2002).

Socialization through membership in IOs can happen both within and across organizations. A good example of the former process 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 (Lewis 2005). 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 (Bearce and Bondanella 2007; Ingram et al. 2005). 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 Dark Side of Cooperation

Our central argument is that some of the very same organizational mechanisms of influence that incentivize good governance among members can also incentivize the abuse of power: the membership characteristics of a country's network of IOs determine both the likelihood that corruption spreads and the extent to which formalized anti-corruption mandates can help to mitigate the problem. In effect, the abuse of power can be contagious among leaders and certain types of IOs can be conduits for its spread into domestic politics even in the presence of formal anti-corruption mandates. Here, we explain how the engagement of countries in a network of international organizations affects corruption levels domestically. The actors central to the argument are the government representatives that participate in negotiations at the international level.[4]

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 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 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.

[4] For simplicity, we set aside potential corruption at the IO-level (i.e. amongst the agents that work at the supranational level). The level of corruption among the IO staff may be affected by member countries' behavior and could further contribute to the spread of corruption at the national level, but it should not substantively alter the relationship discussed here.

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 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. That these politically powerful leaders (as well as politicians at lower levels) can be embroiled in 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 many politicians from his party), and the Romanian Finance Minister, Darius Valcov, in two separate cases.

IOs with highly corrupt membership are likely to act differently in several ways that could affect the spread of corruption among members. First, while 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 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 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 corrupt members are unlikely to invest in the monitoring of corruption, and thus unlikely to independently detect or draw attention to the presence of the problem. 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 corruption, which reduces the reputational and material costs associated with the abuse of power. When a corrupt leader is enmeshed in many interactions with many other corrupted leaders, they are not likely to pressure their counterparts to enact, and implement, policies that favor democracy, trade liberalization, human rights, or anticorruption.[5] They are likely to look the other way because they too are engaged in acts 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 fewer institutional costs involved in engaging in this behavior.

[5] 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.

A prominent example of this phenomenon is the African Union, which adopted the Convention on Preventing and Combating Corruption described above that 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 (Transparency International 2015).[6] 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 (The Gardian 2013). 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 (The Guardian 2016). Such institutional practices of turning a blind eye to corruption 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 (Article 3). 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, while more Latin countries are adopting laws or joining initiatives to reduce corruption, massive corruption schemes involving powerful elites remain prevalent and punishment scarce (Transparency International 2014).

Third, and related, corrupted IOs are less likely to formally link good governance to their main goals. Leaders in these organizations will eschew issue linkage to anti-corruption criteria not only at the institutional level, by avoiding conditionality, but—more importantly—at a personal level, by turning a blind eye to their peers' acts of corruption 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 (Dreher et al. 2009; Lockwood 2013). 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. Potential costs for engaging in corruption are not credible, and so corrupted IOs will not generate dependable guarantees for interest groups that seek change for better governance.

Finally, these IOs can provide a forum to socialize, or teach, leaders to believe that corruption is normal, acceptable, or beneficial to them personally or to their government generally. 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 may even generate a sense of trust—or a code—among leaders, who come to adopt the corrupt culture and policies that look like their peers. In the same way that obesity, smoking and substance abuse spread quickly through social networks (Fowler and Christakis 2009),[7] so too can the incentive to abuse power, which may help to explain why,

[6] The estimates were created in partnership with Afrobarometer, which spoke to 43,143 people across 28 countries in Sub-Saharan Africa.

[7] 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 et al. 2008).

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 (The Guardian, September 29, 2015). A lack of monitoring and enforcement efforts further supports this socialization process, as leaders learn not only the value of corruption but also that they are likely immune from punishment—neither the UK nor Saudi Arabia were punished for the vote trade and both presently sit on the Council.

For these reasons, which are neither mutually exclusive nor easy to distinguish empirically, we expect that *a country's membership in a network of IOs composed of highly corrupt membership will increase that country's propensity to engage in corruption at the national level.* Of course, the converse is also true: a country's membership in a network of IOs with honest membership will decrease that country's propensity to engage in corruption at the national level.[8] Central to our argument is the fact that there must be a reasonably low probability of detection and penalty for corruption to thrive and spread among political elites. Thus, institutions at both national and international levels could help to deter the problem. At the international level, governments should in principle be less likely to experience increases in corruption if they participate in IOs with formalized anti-corruption mandates. By our logic, however, the extent to which IO rules help to deter the spread of corruption is conditional on the membership. IOs with highly corrupt members become conduits for the spread of corruption in part by eschewing the creation or enforcement of good governance standards intended to increase the likelihood of detection and enforcement. Thus, IOs with highly corrupt members are less likely to adopt or enforce anti-corruption standards than are IOs with better-governed members. Consequently, *even though anti-corruption mandates should in principle dampen the spread of corruption, the effect of membership in a network of corrupt IOs on the propensity to engage in corruption at the national level may well persist in the presence of formal anti-corruption standards.*

At the domestic level, institutions that help monitor and sanction the inappropriate behavior of government elites should help ameliorate the problem as well. It is more difficult to abuse power in countries that have already developed highly stable institutions to prevent corruption. The power of local enforcement institutions—particularly law enforcement and courts—to hold leaders accountable for political misconduct is particularly relevant in this respect. 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 therefore help deter—or at least dampen—the decision to engage in this behavior domestically. *Strong local monitoring and enforcement institutions may therefore be able to mitigate the relationship between a country's entrenchment in corrupted IOs and their leaders' pursuit of corruption domestically*.

RESEARCH DESIGN

In the empirical analysis, we 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 315 active regional organizations for the 1986-2015 period.[9] Following

[8] See Pevehouse (2010) for a theoretical and empirical treatment of the positive effects.

[9] All regional IOs in the data set are listed in Appendix A. Note that the availability of different corruption indices varies over time and across countries, which leads to changes in the sample size under analysis.

Pevehouse's (2002, 2005) work on democratization, we focus our primary 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 both theoretical mechanisms through which corruption can spread in a network. As we show below, these regional organizations cover a variety of issues, including economic, political, and social goals. However, we demonstrate that the results are robust to using all international organizations in the data set. The level of analysis is the country-year.

Dependent Variable

We expect that a country's engagement in a network of IOs with highly corrupt membership 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 and business.[10] The ICRG's corruption measure registers small values for high corruption and large values for low corruption. To simplify the interpretation of effects (we are primarily interested in whether membership in corrupted IO networks increases domestic corruption), we calculate the inverse of the ICRG measure: the variable, as we have transformed it, ranges from 0 to -6, with 0 representing high corruption and -6 representing low corruption.

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 (Treisman 2007). 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 pick particular (smaller) time periods to average across–where the choice of the period is arbitrary. To balance between the problems that are created by either using annual or cross-sectional data, we begin by averaging our annual data over 3-year periods, which allow sufficient time for effects to occur while not lumping long-term historical events into one category. We also show that the core results are robust to estimations that analyze 5-year periods, a single cross-section, as well as annual data.

We removed AfricaCare from the set of regional IOs since it is a nongovernmental organization. Its inclusion does not change the results.

[10] There exist alternative corruption indicators, notably the corruption score of the World Governance Indicators, the Transparency International's corruption index, and the World Bank Enterprise Survey's Bribery Index. We focus the analysis on the ICRG measure because its measurement most closely resembles the type of corruption we 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. The correlation between these indicators tends to be very high (above 0.9), and we show that our main results are robust to using these alternative corruption indicators in the appendix.

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 Corruption*, we proceed in four steps:

1) For each IO, we calculate the average level of corruption for all member states in each year (excluding the corruption score of the country under observation).[11] For the calculation, we include only those countries that have full membership in the IO. One important question is whether the effect depends on the entire membership or only on a subset of members. It is commonly accepted in the literature that the more powerful members in the IO have greater ability to influence IO decisions, including monitoring and enforcement, and they may also have greater leverage to influence the socialization process. For this reason, we weight the influence of the countries by their GDP, whereby 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 socialization could be driven by the entire membership we also present regressions where we do not weight corruption scores by country GDP in the appendix.
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 multiply this average score by -1, such that larger values of *Average IO Corruption* 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 *Average IO Corruption* ranges between -160 and -10 (with a mean of -56) and varies both across countries and over time as a function of both changing memberships in IOs and changes in other countries' corruption scores. Figure 1 provides an illustration for Thailand. The round dots provide information on the country's *Average IO Corruption,* while the diamonds indicate Thailand's domestic *Corruption* score for each year. For both measures, larger values indicate higher levels of corruption.[12] The graph illustrates how *Corruption* and *Average IO Corruption* co-vary over time. The correlation is high (p=0.7) and highly significant. This covariation can be explained both by Thailand's accession to IOs, and the changing membership within its existing IOs. During the 1990s, Thailand was participant in a network of less corrupted IOs (represented by lower *Average IO Corruption* scores), including organizations such as the APEC and the Asian Development Bank. During the first decade of the 2000s, however, Thailand's associations changed noticeably in character, as it both 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 towards greater *Average IO Corruption* in the network is in close sync with a worsening of the country's *Corruption* scores

[11] The results do not change substantively if we include the country under observation in the calculations. We decided to exclude the country 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.

[12] Note that the weighted measure is on a different scale. We re-scaled the measure to better reflect the covariation between the two measures. The relevant information is therefore the relative change in corruption, not the absolute level of corruption.

at the national level. Note that changes in national C*orruption* tend to lag behind changes in the country's *Average IO Corruption* score for about a couple years. This time structure is well reflected in our main model, which uses three-year periods.

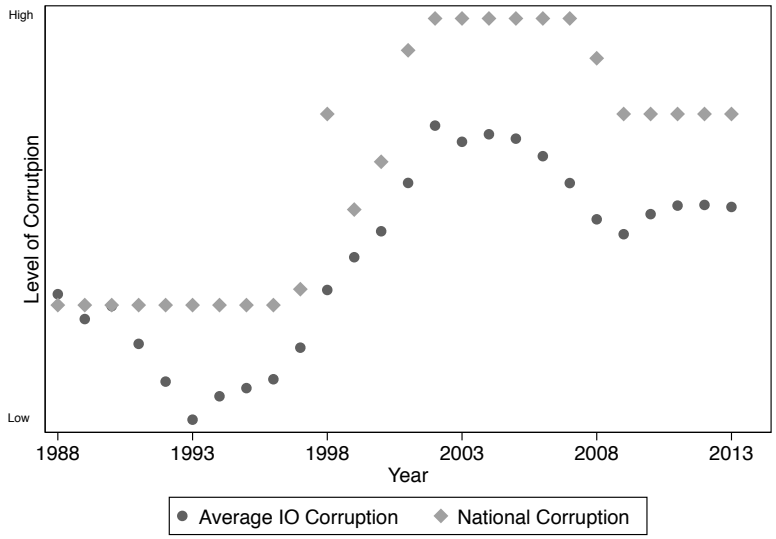

Figure 1: Average IO Corruption and National Corruption of Thailand

Thailand is just one illustration of the variation in *Average IO Corruption*. Generally, we find over-time variation in most countries' *Average IO Corruption* score.[13] Sometimes these changes are consistently positive, sometimes they are consistently negative, and sometimes they are both positive and negative (as in the Thailand example).

Control Variables

We control for potential confounding factors that are commonly included in the literature seeking explanations for corruption. 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 (Marshall et al. 2013). 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). Perhaps most importantly, we 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 among states rather than the influence of IOs. In our main models, we measure *Diffusion* as the average corruption in the countries that are contiguous. Following the convention in the literature we include 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. Contiguity data are from the Correlates of War Project data on direct contiguity (Douglas et al. 2002). In the robustness section, we show that the results are robust to measuring *Diffusion* as the average corruption in a country's region.

[13] Appendix B further provides a further example using Poland.

We keep our main models as parsimonious as possible, but we include 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 C 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 *Average IO Corruption*, 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. In addition, we include a time trend to control.

EMPIRICAL RESULTS

Table 1 presents the results of our main analysis. Model 1 is our main model on the full sample, which includes the entire set of control variables discussed in the research design section. Model 2 re-estimates this model including a one-period lag of *Average IO Corruption*, while Model 3 re-estimates the model on the unweighted measure of *Average IO Corruption*. 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 Corruption on National Corruption, 1986-2011

	(1) Main	(2) Lagged IV	(3) Unweighted
Avg IO Corruption	0.026***	0.010***	0.322**
	(0.006)	(0.004)	(0.159)
Democracy	-0.030**	-0.033**	-0.042***
	(0.015)	(0.016)	(0.016)
PC GDP (log)	-0.049	0.062	0.011
	(0.212)	(0.222)	(0.206)
PC GDP Growth (%)	0.000	-0.002	-0.002
	(0.004)	(0.004)	(0.004)
Trade Openness	0.016	0.023	0.010
	(0.018)	(0.020)	(0.019)
Regime Durability	-0.007	-0.003	-0.006
	(0.006)	(0.006)	(0.006)
Diffusion	0.261***	0.379***	0.359***
	(0.084)	(0.071)	(0.084)
Time Trend	0.045*	0.097***	0.073***
	(0.025)	(0.025)	(0.027)
Constant	-0.057	-2.019	-1.325
	(1.767)	(1.890)	(1.717)
Country FE	Yes	Yes	Yes
F-Test	21.015***	19.520***	19.959***
R2	0.333	0.332	0.291
Beta (Oster)	0.05		
Observations	948	832	948

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

Turning to the substantive effects, we find support for the first observable implication of our theoretical argument. The level of *Average IO Corruption* is positively and significantly correlated with a country's change in corruption score. A one-unit increase in a country's *Average IO Corruption* score—representing an increase in their association with a network of highly corrupted IOs—leads to a 0.03-unit increase in their national *Corruption* score. To provide a more intuitive interpretation of the substantive effect, moving from the minimum to the maximum of *Average IO Corruption* would lead to an approximately four-unit increase in national corruption. A one standard deviation increase in *Average IO Corruption* would lead to almost a one-unit increase in national corruption—a sizeable effect given that *Corruption* can vary between -6 (lowest) and 0 (highest). Over all models (including the robustness checks that are discussed below), the coefficient ranges from 0.01 to 0.05 with an average of 0.02, which provides confidence that the substantive results are relatively robust. The effect is expectedly smaller but still significant when we include a one-period lag of *Average IO Corruption*, thereby indicating that the effect persists in a six-year framework.[14] The effect is also robust to using an

[14] The effect of *Average IO Corruption* could also depend on the heterogeneity of IO members in respect to their corruption scores. To analyze this, 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

unweighted measure of *Average IO Corruption.* Overall, *Average IO Corruption* exerts a significant effect on national corruption independent of any regional diffusion trend or whether the dependent 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. Regional *Diffusion* positively affects national corruption, implying that countries in close geographic proximity likely depict similar levels of corruption. The time trend further indicates an increase in national corruption over time.

Omitted Variable Bias

One major concern is omitted variable bias (OVB), where factors that drive corruption in a country could also drive its leaders' initial decisions to become embedded in more corrupt organizations. For example, countries that are more corrupt *ex ante* could be more likely to seek membership in more corrupt networks of IOs. Even if *Avg IO Corruption* 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 the effect is related to unobservable factors. Or, a group of corrupt-trending countries could form an organization that would create the same appearance of negative diffusion.

Unfortunately, we do not have a good instrumental variable for *Average IO Corruption*, but we attempt to approach this potential problem from various angles. We control for the first potential source of OVB by including the measure of *Diffusion* (under the assumption that common movements usually occur amongst states that are closely connected). Since most members of regional organizations are located in close proximity, *Diffusion* provides a particularly tough test: countries in geographical proximity tend to display similar levels of corruption (the diffusion effect), and the measure is highly correlated with *Average IO Corruption*. Expectedly, the effect of *Diffusion* is strong and significant, but it does not dilute our main results (our main results also hold if we exclude *Diffusion*).

In addition, and with respect to the second potential source of OVB, we find that there are very few instances of the creation of new IOs by highly homogenous members in our data set, In fact, movements in *Average IO Corruption* occur mainly when states enter IOs, or members experience changes in their corruption levels within IOs. We also lag our measure of Average IO Corruption by one three-year period (see Model 2 in Table 1), which should reduce some concerns about endogeneity. Below, we also show that countries that had lower levels of corruption than their peers in the IOs they participate in are still likely to become more corrupt (see Model 3 in Table 2). This indicates that even if a self-selection effect is present—that more corrupt countries join networks of more highly corrupted IOs—the effect holds when we exclude cases where self-selection was not an issue.

Finally, and barring a silver bullet to solve the issue with a strong instrument, it is possible to analyze the likely effect that OVB would have in our case. Oster (2013) suggests 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

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interaction model with this variable, but the results indicate that *Average IO Corruption* is independent on the level of variation of corruption amongst members. Results are available from the authors.

Chaudoin et al. 2015). The estimated coefficient on *Average IO Corruption* (Beta) under the recommended assumptions that selection on unobservables is at least as important than selection on observables (δ=1) and that value of R will increase by about 1.3*R in our main model is Beta (Oster)=0.05. The results imply that even if the selection on unobservables is at least as important as selection on observables (implying OVB), the estimated coefficient on *Average IO Corruption* is still positive and even likely to be slightly greater.

The Growth of Average IO Corruption

Whereas our theoretical argument pertains to the effects of *Average IO 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 Corruption* (towards a network characterized by less corruption). Our current operationalization allows us to analyze whether *Average IO Corruption* and national corruption levels are positively correlated, but this positive correlation could owe to a declining effect only.

To analyze this possibility, we split the sample into observations with *Average IO Corruption* growth and with *Average IO Corruption* decline. The first sample (results in Model 1 of Table 2) only includes country-year observations where the country's *Average IO Corruption* experienced a decline. A significantly positive coefficient in this sample would indicate that a decline in *Average IO Corruption* 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 *Average IO Corruption* experienced an increase. A significantly positive coefficient in this sample would indicate that an increase in *Average IO Corruption* leads to an *increase* in national corruption, thereby supporting our theoretical argument. In Model 3 of Table 2 we analyze whether the negative effect of *Average IO Corruption* holds for members that have lower corruption 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 Corruption* leads to an increase in national corruption of countries that originally were less corrupt than the IOs in which they are members.

Table 2 presents the results, and shows that the degree of member-driven corruption in an IO network indeed affects members' domestic politics in both directions. Countries that participate in a network of less highly corrupt IOs (Model 1) likely experience a significant decline in domestic corruption,[15] while countries that participate in a network of highly corrupt IOs (Model 2) likely experience a significant increase in domestic corruption—the increasing effect is substantively larger than the declining effect. 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.

[15] This finding is consistent with Pevehouse 2010.

Table 2: Different Effects of Average IO Corruption

	(1) Decline in Avg IO Corruption	(2) Increase in Avg IO Corruption	(3) Increase in Avg IO Corruption (Rel. Distance)
Avg IO Corruption	0.022***	0.030***	0.027***
	(0.008)	(0.008)	(0.007)
Democracy	-0.022	-0.035*	0.015
	(0.017)	(0.021)	(0.013)
PC GDP (log)	-0.084	-0.111	0.134
	(0.272)	(0.269)	(0.257)
PC GDP Growth (%)	0.001	0.004	0.013**
	(0.005)	(0.006)	(0.006)
Trade Openness	0.010	0.025	0.010
	(0.030)	(0.028)	(0.012)
Regime Durability	-0.005	-0.014**	-0.014***
	(0.005)	(0.006)	(0.004)
Diffusion	0.262*	0.290***	0.113
	(0.154)	(0.105)	(0.086)
Time Trend	0.064**	0.022	0.050
	(0.031)	(0.040)	(0.030)
Constant	-0.122	1.175	-2.365
	(2.349)	(2.204)	(2.249)
Country FE	Yes	Yes	Yes
F-Test	7.909***	14.994***	30.656***
R2	0.255	0.372	0.496
Observations	376.000	572.000	416.000

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

International Rules

Central to our argument is the claim that the spread of corruption that we observe in the main models may be deterred, or at least dampened, by monitoring and enforcement institutions at the international and the national level. At the international level, we argued that even though anti-corruption mandates should in principle dampen the effect of *Average IO Corruption,* they may fail to eliminate the problem because more corrupt IOs are less likely to adopt these rules. Moreover, even if groups of corrupt states choose to adopt anti-corruption standards they will rarely enforce them against each other.

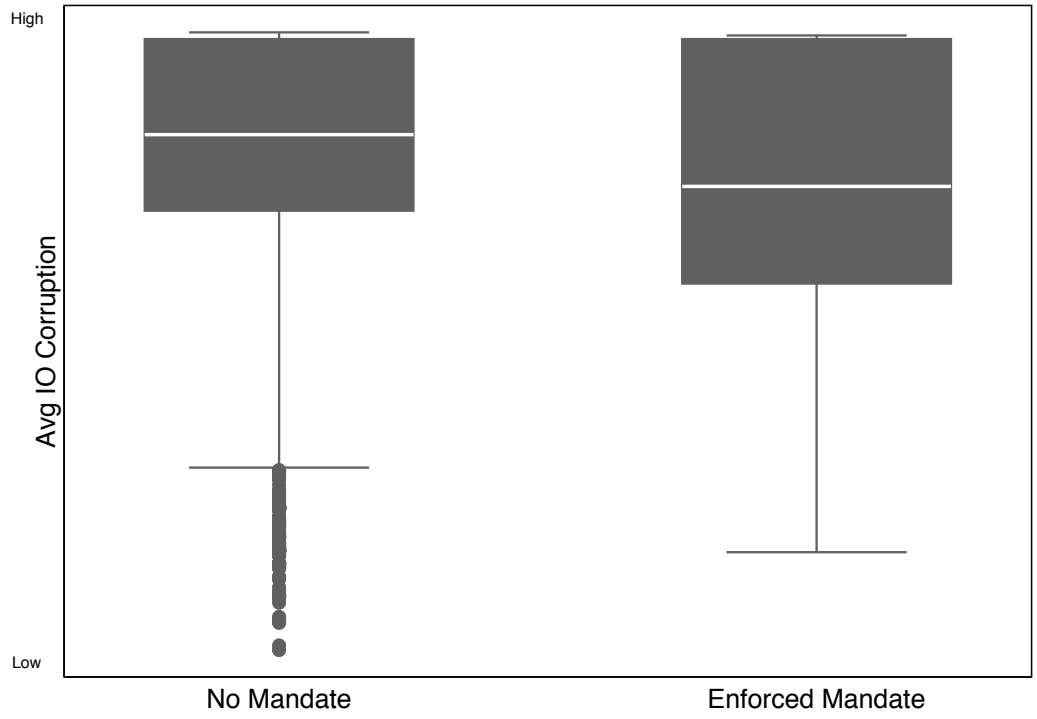

Figure 2. Avg IO Corruption and Enforceable Anti-Corruption Mandates

To analyze the influence of international anti-corruption mandates on national corruption, we collected original data on whether every IO in our sample had adopted anti-corruption mandates as well as formal mechanisms to monitor and enforce these mandates using a wide array of sources on our sample of organizations. An initial inspection of the data provides some support for our argument that the IOs composed of highly corrupt members are less likely to adopt anti-corruption mandates. Using box plots, Figure 2 demonstrates that there is a correlation between the degree of member state corruption in an IO and whether that organization has an enforceable anti-corruption mandate. The y-axis presents the value for *Average IO Corruption*. The left-side plot represents IOs without mandates, while the right-side plot represents organizations with anti-corruption mandates and built-in monitoring and enforcement mechanisms.[16] The slightly lower mean and the greater distribution of values at the lower side of the box on the right provide some first support that IOs composed of corrupt members are less likely to have enforceable mandates.[17] Nevertheless, there are still quite a few corrupt IOs that have adopted formal good governance standards.

Next we evaluate the extent to which anti-corruption rules are enforced by adding the variable *Mandates (#)* into our main model. The variable measures the number of IOs with enforceable mandates that a country is a member of in a given year. The estimate presented in Model 1 of Table 3 reports that the effect of anti-corruption mandates on national corruption is negative but insignificant. This supports our argument that highly member corrupt IOs are less

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

[17] Note that the differences are significant but substantially not very strong. Furthermore, it is impossible to establish causality and arguably, the existence of anti-corruption mandates will lower average IO corruption.

willing to adopt and enforce anti-corruption mandates to begin with. That is, the effect of *Mandates (#)* should be conditional on the level of *Average IO Corruption*.

Table 3: Corruption Mandates and the Dark Side of Cooperation

	(1) Mandates (#)	(2) Mandate	(3) No Mandate
Avg IO Corruption	0.027***	0.012**	0.027***
	(0.005)	(0.005)	(0.005)
Mandates (#)	-0.053		
	(0.063)		
Democracy	-0.029*	-0.035**	-0.031**
	(0.015)	(0.017)	(0.015)
PC GDP (log)	-0.039	0.151	-0.068
	(0.211)	(0.190)	(0.215)
PC GDP Growth (%)	0.000	0.001	0.000
	(0.004)	(0.004)	(0.004)
Trade Openness	0.016	0.021	0.014
	(0.018)	(0.018)	(0.018)
Regime Durability	-0.007	-0.008	-0.006
	(0.006)	(0.006)	(0.006)
Diffusion	0.266***	0.354***	0.256***
	(0.086)	(0.076)	(0.085)
Time Trend	0.052*	0.059**	0.045*
	(0.027)	(0.025)	(0.025)
Constant	-0.020	-2.394	0.131
	(1.762)	(1.611)	(1.800)
Country FE	Yes	Yes	Yes
F-Test	21.005***	19.434***	21.216***
R2	0.335	0.291	0.338
Observations	948	912	940

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

To further scrutinize this argument empirically, Figure 2 graphically presents the marginal effects of *Mandates (#)* (solid line), together with 90% confidence intervals (dashed line), for different levels of *Average IO Corruption.* The marginal effects of *Mandates (#)* are displayed on the y-axis, while the values for *Average IO Corruption* are displayed on the x-axis. We also present information on the distribution of *Average IO Corruption* (short-dashed line) with estimates presented on the second y-axis. The findings provide strong support for our argument that the effects of anti-corruption mandates are conditional on the average level of corruption among members in an IO. Countries that are members in better-governed 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 Corruption*. The results support our claim that the effectiveness of anti-corruption mandates crucially hinges on the characteristics of members within an international organization. Mandates can be effective, but they are only likely to make a difference in organizations that are already composed of better governed members; they are not likely to solve the problem where it is at its worst, among corrupted networks of states.

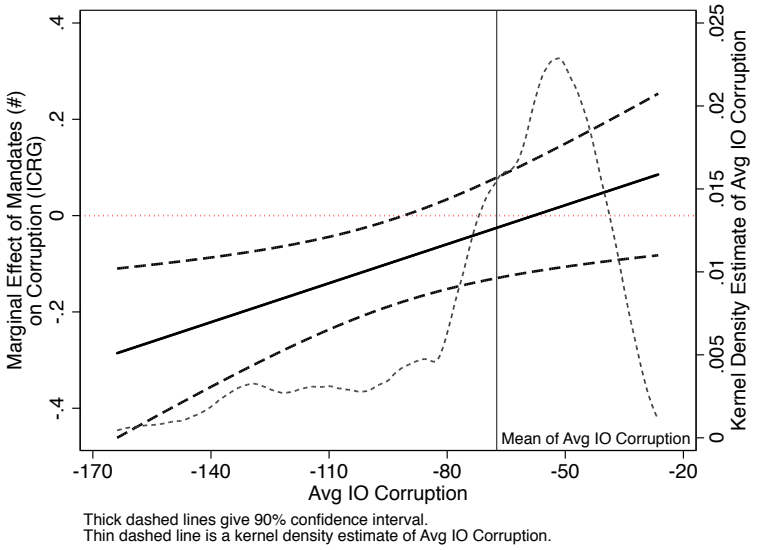

Figure 2: The Marginal Effect of Mandates (#)

While the effect of *Mandates (#)* is conditional on *Average IO Corruption*, we do not find evidence that *Mandates (#)* mitigate the effect of *Average IO Corruption.* To analyze whether anti-corruption mandates reduce the influence of *Average IO Corruption*, Figure 3 graphs the marginal effects of *Average IO Corruption* for different levels of *Mandates (#).* Strikingly, the effect of *Average IO Corruption* is positive and significant independent of a country's number of memberships in IOs with anti-corruption mandates. Of course, these results could be due to the fact that countries tend to be members of both more corrupted and less corrupted IOs.

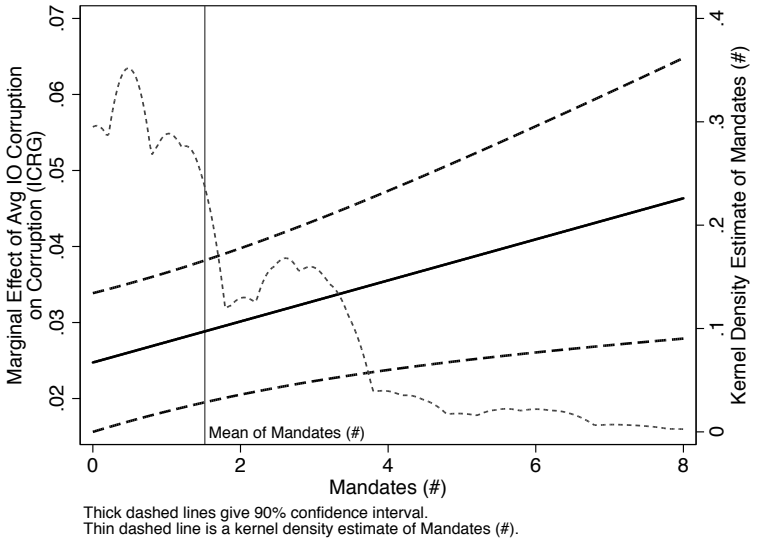

Figure 3: Marginal Effects for Average IO Corruption

To shed more light on the effect by organizational type, we re-calculate our *Average IO Corruption* measure for the subsets of organizations with and without anti-corruption mandates.

Table 3 provides the results. Model 2 re-estimates the main model on the subsample of organizations with anti-corruption mandates—and thus some formal policy for enforcement—while Model 3 includes the subsample of 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.[18] However, the substantive effects are smaller for the mandate model, suggesting that although corruption spreads in the presence of good governance standards, there is a somewhat lower tendency to spread in this condition.

Domestic Institutions

Our theoretical argument also suggests that bad governance may be less easily transmitted to countries that have highly capable and independent enforcement institutions, which are likely to raise the domestic costs of engaging in political corruption. To substantiate this implication, we analyze whether the *Average IO 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. We then interact *Rule of Law* with *Average IO Corruption* and re-estimate our core model (Table 1, Model 1) including the interaction effect.

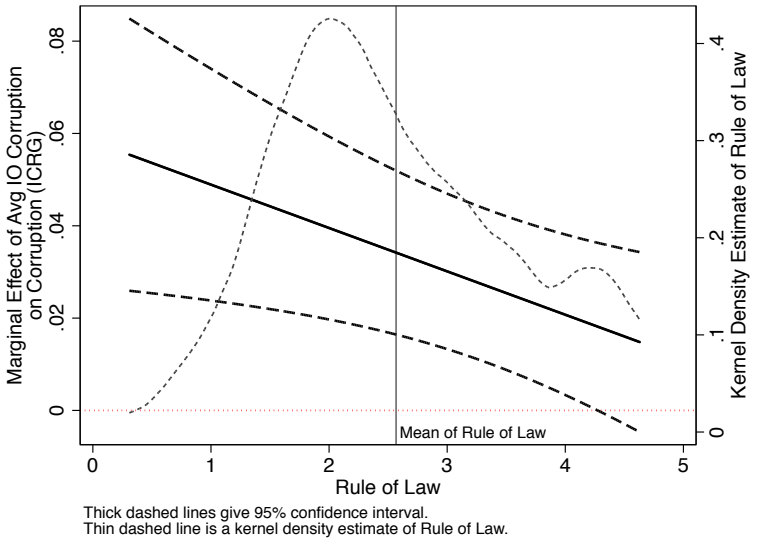

Figure 4: The Effect of Average IO Corruption for Different Levels of Domestic "Rule of Law"

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

To interpret the interaction results, we present the results graphically in Figure 4 (a full set of estimates is in Appendix E). The solid line presents the marginal effects together with 95% confidence intervals (dashed lines). We also include 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 corrupt IO networks is less likely to foster the spread of corruption domestically. However, the contagion effect once again 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.[19]

Robustness Checks

To ensure that our main empirical results are robust, we conduct a large number of additional tests, which we discuss only briefly here because of space constraints. Full results and explanations can be found in the appendix.

Appendix F provides results of estimations that include additional control variables such as the number of IO memberships, inter- and intrastate conflict, FDI inflows, whether the country is a presidential system, the government's vote share, the mean district magnitude, and the percentage of Protestants. We also use alternative operationalizations of *Diffusion* and *Democracy*, and we substitute our average *Average IO Corruption* 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. Although some of these variables exert important influence on incidences of national corruption, they do not affect our main results.

Appendix G demonstrates that the findings are robust to using different subjective and objective measures of corruption, including the WGI score, the CPI score, and the Bribery Score. Our empirical analysis focuses on corruption as one important indicator of the quality of governance, however, our theory is generalizable to other forms of corrupt behavior that leaders can choose to adopt (at least those where institutions and practices can be revised more easily).

Whereas our specific focus in this article is on the spread of corruption, our theory more broadly suggests that IOs may have effects on other indicators of good governance as well. We test for such a possibility in Appendix H. We analyze whether our statistical results transfer to the good governance indicators of the World Bank (*Voice and Accountability*, *Rule of Law*, *Regulatory Quality*, and *Government Effectiveness*). The results show that our findings on the diffusion of corruption carry over to some but not all other governance indicators.

Appendix I demonstrates that our results are robust across different types of IOs (i.e. regional IOs, all IOs, economic IOs, political IOs, and social IOs). Appendices J and K analyze the robustness of our results to changes in the model specification. For example, we estimated models that included a lagged dependent variable, random and between effects specifications, period fixed effects, and region fixed effects (Appendix J). We also estimated our model on annual data with lagged values of *Avg IO Corruption*, five-year period data, and a single cross section (Appendix L). Our main findings are robust to these alterations.

[19] 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 a slight, though insignificant, decline. Results are available in Appendix E.

CONCLUSION

One of the central reasons that states delegate to IOs 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 emphasizes their beneficial effects, and many formal institutional rules are now in place in the effort to promote them. Alongside their positive virtues, however, is another—darker side—to cooperation that has received far less attention. Our central contribution lies in the claim that who leaders cooperate with affects how their participation in IOs influences their politics. Corruption and the abuse of political power risk spreading among political leaders participating in networks of organizations characterized by corrupt members and in those networks even formal institutional rules designed to counteract corruption have little sway to stop this process. Corrupt organizations are less likely to create, monitor or enforce standards to promote good governance than are more honest brokers, and leaders surrounded by corruption may come to believe that the abuse of power is common, acceptable, and even desirable.

The value added of our approach is fourfold. 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. Understanding the ways in which these organizations may affect states' governance practices offers to provide new 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 governance such as democratization and human rights promotion.

Second, our research shines light on the fact that the effects on states of international cooperation through institutions look different depending on who is at the table. While IOs are generally designed to solve cooperation problems and promote better governance, their makeup can also have a pernicious effect on their members—such effects remain under-theorized and understudied, as scholars of international organizations understandably tend to place greater focus on the beneficial effects. 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 (Hafner-Burton 2013; Greenhill 2015). This suggests that policies of engagement—by encouraging formal institutional cooperation with corrupt states—may at times have deleterious consequences for members.

Third, our research speaks directly to debates about compliance with international law and regulation and uniquely suggests that the effect of IO policies intended on paper to promote good governance depends critically on the membership of the organization. Anti-corruption standards appear to do little to halt—though in some circumstances may marginally slow down—the spread of corruption among the members of highly corrupt IOs, raising serious questions about the extent to which these mandates are potentially endogenous to member state interests and therefore not independently very effective in the places where they are most needed.

Finally, our approach adds to the growing scholarship on social networks in international relations (Hafner-Burton and Montgomery 2006, 2008; Lupu and Traag 2013; Greenhill 2015). We highlight the crucial point that states—and their leading decision makers—are often enmeshed in a complex web of IOs (Raustiala and Victor 2004). 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.

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