

Can Salaries Prevent Local Government Politicians from Corruption?

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A major problem in every political system is that politicians in office may use their power to pursue their own interests, rather than those of citizens. Politicians are in a position that allows them to divert public funds into their own pockets [1]. In fact, it has been claimed that policymakers seek power, ego-rents and even bribes [2].

Transparency International [3] defines corruption as the abuse of entrusted power for private gain. Corruption generally comprises illegal activities, which mainly come to light only through scandals, investigations or prosecutions. Although previous studies have explored several factors of corruption, most of them have been conducted at national levels. In fact, the European Commission [4] considers that no comprehensive approach of corruption has been developed at regional and local levels.

The evaluation of corruption is more complex at the regional and local level. There are three principal approaches to measure corruption at the macro level: (1) general or target-group perception; (2) incidence of corruptive activities [5]; and (3) bribes reported, the number of prosecutions brought or court cases directly linked to corruption. The first kind of measures reflects the feeling of the public or a specific group of respondents about corruption. The second approach is based on surveys among those who potentially bribe and those whom bribes are offered. The third kind of measures groups more objective variables that are also used as indicators of corruption levels. However, at local level, the difficulty of measuring corruption levels through any of these approaches has become a major obstacle due mainly to the limited availability of surveys and database needed to measure corruption in a proper way [6]. For this reason, while numerous studies have examined the determinants of corruption in an international comparative approach, municipal research on this issue is more scarce.

A research that my team (T) and I have just finished contributes to close this perception gap. Specifically, we study whether local politicians' incentives to be corrupt are influenced by the wages they receive. This issue has hardly been empirically tackled before. We use as gauge of corruption the third measure we have mentioned above, specifically, the number of cases of urban corruption reported in the online press in the period 2000-2009.

In Spain, corruption cases have become an important problem in the recent years. One of main Spanish local governments' responsibilities is town planning, according to which they can classify land for urban development with little or no consultation. Therefore, there is a serious risk that local politicians might accept bribes from real estate developers in exchange for rezoning their lands. Indeed, according to Jimenez [7], the Spanish town-planning model and the last extraordinary building boom were the main sources of local political corruption in Spain. Furthermore, Spanish laws allow local politicians to set their own salaries. Therefore, we consider it interesting to analyse this issue in a context in which corruption is more feasible and political power is highly discretionary, namely, Spanish local governments.

Using a sample of 324 Spanish municipalities over 20,000 inhabitants for 2000-2009, we show that when politicians are better paid, their incentives to be corrupt decrease. Moreover, we also find

that population; income, income inequality, education level and touristic nature of the municipality affect corruption.

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