How do power imbalances influence national corruption and welfare?

Professor Wolfgang Scholl of Humboldt University in Berlin, Germany, has built a detailed model that shows how and where corruption thrives and the damage it causes to social welfare. The social-psychological, cultural, and economic causes and effects are disentangled, and the ethical imperatives are discussed that support a positive outcome. The model confirms empirically that unequal power relations induce corruption and fail welfare.

More equal power relations, signifying a deep-rooted democracy, are a good basis for a healthy society.

Baron Acton’s insight that ‘power tends to corrupt, and absolute power corrupts absolutely’ neatly expresses the social-psychological evidence that exceeding power corrupts actors morally and materially, and that such immoral behaviour escalates as their dominance increases. Investigating whether this also holds true within nations, Professor Wolfgang Scholl of Humboldt University in Berlin, Germany, together with Professor Carsten Schermuly, examined how a steep power distribution fuels national corruption and thereby affects a country’s economy and the welfare of its inhabitants.

**Expressions of Power**

Social power is the capacity to change the thoughts and behaviours of other people. The more powerful people or social systems have, the more they are able to exercise control for actual purposes, especially if the other side is less powerful and does not try to counter such actions. Power is a capacity which may be used in different ways. Scholl has developed a model of power relations that identifies two principal ways of using power, called promotive control and restrictive control. When strongly pursued, a power relationship is either used inclusively, respecting the autonomy and the interests of the other side (promotive control), or it is used in an excluding way, violating or ignoring the autonomy and the interests of others (restrictive control). Early in life, children experience both kinds of control from their more powerful parents, hopefully mainly the promotive one.

The importance of this distinction becomes irrefutable if power is realised as the second basic social dimension beneath affiliation (see figure 1). These two dimensions are sometimes also called ‘agency’ instead of power and ‘communion’ instead of affiliation. Social psychology sees these two as most basic and relevant for all kinds of social actions. It follows that any use of power is automatically judged by those concerned to be either friendly and positive, or hostile and negative, depending on the respect or violation of one’s interests and autonomy.

Material corruption is one of the instances of restrictive control – using power for personal gain against the interests of others, often against the whole community. This equates to Transparency International’s definition of corruption as ‘the abuse of entrusted power for private gain’. But power can also be used as promotive control, using the levers of social and institutional power to promote the economic and social welfare of a country’s citizens.

Power may tend to corrupt, but it can also be used to promote the wider societal benefit – that’s what people expect. The latter is more likely if there are checks and balances vis-à-vis power positions because, in this way, corruption is discouraged through specific fines. When power is balanced and people are free to tackle emergent problems in all conscience, cooperation becomes more effective and learning and innovation flourish. But in a steep social hierarchy, more restrictive control is likely because the dominant persons and groups don’t fear detection and punishment, and the silenced majority accepts that situation and resigns. This not only has bad consequences for the suppressed persons and groups: history is full of autocratic and dictatorial regimes where leaders and higher echelons could not be criticised and the lack of controversy led to megalomaniac and devastating results for the whole country.

In order to investigate these theoretical predictions derived from extant research, the different power distributions within countries have to be empirically measured and compared on a common scale. The social dimensions of affiliation and power.

**Scales of Power Distribution**

Measuring the power distribution in a country can be done with political indicators (e.g. degree of democratization), economic ones (e.g. the wealth gap), and cultural-psychological ones (e.g. suppression experiences). The authors prefer such cultural-psychological measures like Hofstede’s Power Distance Index because such items reflect best the everyday experience of hierarchical power. For Power Distance, respondents estimate for example on a 5-point scale: “How frequently, in your experience, does the following problem occur: Employees being afraid to express disagreement with their managers?”

Taking this study as a starting point, the researchers added three other global scales: GLOBE’s In-Group Collectivism from House et al. (e.g. “In this society, people encourage group loyalty, even if individual goals suffer”) correlated highly with Power Distance, because upper management often demands loyalty and undermines autonomy. Hofstede’s Individualism correlated inversely with both (e.g. “Considerable freedom on the job”), and so did Van De Vliert’s Freedom Index, which includes freedom from political autocracy, press repression, and discrimination. By reversing the Power Distance and In-Group Collectivism scales in line with Individualism and the Freedom Index, the combined measure of these four indices provides a more reliable and valid measure. It identifies the extent to which a country exhibits a culture of freedom underpinned by balanced, more equal power relations, called Power Balanced Freedom (PBF). The PBF Index is available for 85 nations.

Corruption data from Transparency International are also available for these nations, so that both data sets can be correlated. The remarkable result can be seen in figure 2 by plotting each country on both scales. Countries with cultures fostering balanced power relationships and supporting individual freedoms are associated with lower levels of corruption. Countries with highly unequal power distributions are strongly associated with corrupt practices.

Scholl postulated that more Power Balanced Freedom (PBF), i.e. less restrictive control, leads to less Corruption. The results in figure 2 seem to confirm this expectation, but the causal assumption, that higher PBF is the source of lower Corruption cannot be concluded from such a correlation. A test of causal assumptions can only be done with a more complex theoretical model and a fitted statistical model called path analysis.

**Extending the Theoretical Model and Testing Its Causal Paths**

If a higher PBF leads to less Corruption, this should lead to an improved economy, measured in terms of Gross Domestic Product (GDP), the classic measure of economic achievement, because public resources are not
The United Nations’ HDI data indicates that national welfare is highest in countries with the least corruption.

Power Balanced Freedom, representing the countries’ power distribution, is the best predictor of low corruption. PBF’s direct causal effect on (low) Corrupt (r² = .46) and via GDP (Corrupt = .74 x .32 = .24).

Over the last decade, the UN HDI data indicates that national welfare is highest in the Scandinavian countries followed by German- and English-speaking countries. These are exactly the countries with highest Power Balanced Freedom (PBF) and lowest corruption (see fig. 2). The empirically confirmed model (fig. 3) shows that welfare is attained through very low Corruption (r² = .46) and high GDP (r² = .32), which is itself dependent on low Corruption (r² = .74). Gender Egalitarianism (GE) is another distinct aspect of a more equal society which is directly relevant for national welfare, apparently through a different political opinion formation. These three determinants together explain very well the Inequality adjusted Human Development Index for national welfare (r² = .66).

The importance of culture can be quantified: PBF delivers a total effect of .54 on national welfare (IHDI). Cultural equality, spanning PBF and GE, has a joint effect on IHDI of .70, and together with Never Colony, the culture effect amounts to .73. This is much higher than the economic Trade Openness effect on IHDI via GDP: .25 x .32 = .08.

Low Corruption alone has also a very strong total effect on welfare (.70), with a direct path and an indirect one via GDP. Why has a corrupt culture such a
behind the research

professor wolfgang scholl

research objectives

wolfgang scholl and his collaborator carsten schermuly conducted research to explore the cultural, societal, and economic factors that predict and follow corruption.

detail

bio
professor wolfgang scholl obtained his phd in psychology and social sciences from manneheim university, germany. he held university positions in business administration in munich, economic psychology in göttingen, and organizational and social psychology at humboldt university in berlin. he conducts interdisciplinary research on human interaction, teamwork, participation, knowledge production, innovation, collective well-being, and the relevance of power in these fields. scholl initiated the private research, consulting, and training firm artop.

personal response

what inspired you to conduct this research?

my research on groups and organisations has shown that power used as promotive or restrictive control has dramatically different consequences. so, i was curious whether similar differences appear on the state level with corruption as a central example of restrictive control.

my personal political interest in the future of democracy strengthened these considerations.

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