

Political control and perceptions of corruption in Icelandic local government

Gunnar Helgi Kristinsson, Professor of Political Science, University of Iceland

Abstract

Political control is an important value of democratic governance and without it democratic accountability can hardly mean much. This is why a number of authors have seen politicization of public service appointments and greater control by the centre as a potential counterweight against trends in recent decades towards more networked and less hierarchical organizational forms of directing public policy. It may help to reassert democratic control. The option of strengthening political control, however, has not been much studied with regard to its likely effects on corruption. Power has the potential to corrupt unless adequately controlled and strengthening political power in a networked environment may create a structure of temptation which conventional deterrents to corruption are unable to curb. The impact of strong political leadership on corruption is here studied in the context of Icelandic local government, making use of institutional variations in the office of Mayor, which provide a unique opportunity for testing the effects of strong political control on corruption. The analysis indicates that municipalities with strong political mayors are likely to be associated with perceptions of corruption even when other factors, such as the structure of temptation and deterrents, are accounted for.

Keywords: Political control; bureaucratic autonomy; corruption; strong mayor; Icelandic municipalities



Icelandic Review of Politics and Administration Vol 11, Issue 1 (1-18)

© 2015 Contacts: Gunnar Helgi Kristinsson, ghk@hi.is

Article first published online June 23rd 2015 on <http://www.irpa.is>

Publisher: Institute of Public Administration and Politics, Gimli, Sæmundargötu 1, 101 Reykjavík, Iceland

Stjórn má l & stjórnsýsla 1. tbl. 11. árg. 2015 (1-18)

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Vefbirting 23. júní 2015 - Birtist á vefnum <http://www.irpa.is>

Útgefandi: Stofnun stjórnsýslufræða og stjórnmála, Gimli, Sæmundargötu 1, 101 Reykjavík

DOI: <http://dx.doi.org/10.13177/irpa.a.2015.11.1.1>

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Introduction

Political control is an important value of democratic governance and without it democratic accountability can hardly mean much. Just as democrats tend to accept the tenet that there should be no power without accountability, there can be no political accountability without power (Christiansen 1996). If politicians have lost the capacity to influence outcomes it does not make much sense to pretend that holding them accountable at elections constitutes an effective corrective mechanism in the formation and implementation of public policy. Sanctions could just as well be handed out at random. This is why a number of authors have seen politicization of public service appointments and greater control by the centre as a potential counterweight against trends in recent decades towards more networked and less hierarchical organizational forms of directing public policy (Peters and Pierre 2004; Dahlström et al. 2011). It may help to reassert democratic control.

Less prominent in the growing literature on political control is the concern that power concentration may lead to misrule and corruption. Power is not only the harmless tool of effective government sometimes assumed in the managerial view. Classical liberals and radicals alike have long suspected that it will do more harm than good if not adequately restrained. In different periods of both European and American history there has been great concern with keeping the worlds of politics and professional administration separate to minimize the temptations of public office. Administrative autonomy, according to Shefter (1994) may work as an important counterweight against the temptations of politicians to use public administration to private or narrow partisan ends.

Seen in this light, attempts by politicians to reassert control in the public sector may not be as non-problematic as advocates of politicization and stronger political control seem to suggest. They may undermine administrative autonomy and contribute to patronage and corruption. Given a certain lack of attention to this issue in the literature we lack understanding of how the temptations of power may contribute to corruption and how they are restrained through conventional methods of democratic governance. Does strong political control contribute to corruption? Does this apply equally under all circumstances? How effectively do various deterrents work to restrain tendencies towards corruption?

To deal with these questions we study the effects of political control on corruption in Icelandic local governments. Several features of the Icelandic case make it especially suited for such a study. Although the precise levels of corruption may be the subject of debate in Iceland they are likely to be low in comparative perspective, as indicated e.g. by Transparency International's Corruption Perception Index (CPI). Corruption does not permeate the whole political system and may thus be more responsive to institutional variations than in systems where corruption is endemic. At the local level there are important institutional variations in the way municipal government is organized and in particular in the role played by political actors. In some, the head of the local administration is a political mayor who usually has strong command over the council and the

administration. In others there is a division of labour between a non-elected executive mayor manager and the chairman of the council, which tends to restrain political influence over the administration. If sceptics of power concentration are right, we should expect more corruption in the former. If, on the other hand, strong political mayors do not contribute to corruption we should expect variations in corruption to be accounted for by other variables, including the strength of temptation (availability of rent) and deterrents to corruption.

We start with a discussion of how corruption can be defined and measured in a setting where the more serious forms of corruption – such as bribes – are likely to be comparatively rare but other forms may be common. We then turn to the hypothesized impact of political control on corruption and how it may influence corruption in the Icelandic system of local government. This is followed by a discussion of other determinants of corruption such as the structure of temptation and deterrents which will form necessary controls in the statistical evaluation of the political control hypothesis. Finally we evaluate the relationship of perceived corruption to the independent variables through both aggregate (comparing municipalities) and multi-level analysis.

1. Corruption

Research on corruption is based on the assumption that although the subject is inherently difficult to study, it is important due to its impact on affluence, perceived fairness and legitimacy. Furthermore, owing to the secretive and often clandestine nature of corruption, researchers may have to accept indirect indicators or proxies in place of direct measurements. The renewed academic interest in corruption since the 1990s is likely related to the development of international corruption measures, such as Transparency International's CPI, launched in 1995. Unfortunately the emphasis on measurement has, to a certain extent, been at the expense of conceptual development. Attempts to measure corruption rely rather heavily on a single form of corruption, namely, bribery, or composite indexes which often have several flaws (Knack 2007; Andersson and Heywood 2009). The problem with the 'one size fits all' approach, as Johnston (2005, 10) points out, is partly that the meaning of corruption is contested in many instances, where the question of 'who gets to decide its meaning is a central fact of political life'. Johnston argues for a more differentiated conception of corruption which is sensitive to the forms it may take in societies which are often thought of as less corrupt according to the corruption indexes.

Bribery, particularly when viewed broadly enough to include extortion (where an official demands payment), probably is the most common form of corruption; it is certainly the easiest kind to model. But nepotism, official theft and fraud, and conflict-of-interest problems, for example do not fit the bribery model well. In some corrupt exchanges, such as patronage and nepotism, considerable time may elapse between receiving the quid and repaying the quo, and the

exchange may be conditioned by many factors other than immediate gain. ... In other cases, such as “constituent service” by legislators, illicit activities may be all but impossible to distinguish from legitimate ones, and corruption may lie not in an exchange but in cumulative effects upon the quality of political processes. (Johnston 2005, 21)

Johnston’s corruption concept refers to abuse of public resources for private gain, but he readily admits that it contains elements which are bound to be contested, including the issue of what constitutes abuse. Its advantage over public office definitions (deviation from formal duties) (Nye 1967; see Philip 2002) is that this concept escapes narrow legalism and comparisons with legal systems and practices, which are fraught with difficulties. In the case of countries where bribery is rare—and hence have less corruption according to the CPI—this may be closer to popular understandings of corruption than the narrow focus on bribery.

The inclusion of Iceland in the CPI in 1998 contributed to the wide acceptance of the country as basically non-corrupt (e.g. OECD 2000)—a view not supported by Icelandic voters (Erlingsson et al. 2013) and called into question in other research (Kristinsson 1996; GRECO 2008; OECD 2010). The high scores and the ranking of Iceland according to the CPI (between 1 and 13 in 1998–2013) reflect the widespread belief among businesspeople and experts that direct bribes paid to politicians and public officials are rare in Iceland, although the economic crash in 2008 altered this perception to a certain extent. Although few experts would argue with the conclusion that bribes are rare, many would point out that a more sensitive conceptualization of corruption would give different results. Asking about various types of ‘grey corruption’ (Heidenheimer 2002) including the persistence of patronage, nepotism and cronyism, might alter the results. Nationwide surveys conducted in 2000 and 2009 indicate that a large proportion of voters believes that political patronage, nepotism and cronyism play a big role in Icelandic local politics.

Table 1. Public perceptions of nepotism, cronyism and political patronage in Icelandic municipalities, 2000 and 2009

Year	Very large role	Large role	Some role	Small role	No role	N
2000	25%	34%	20%	13%	9%	1,261
2009	26%	35%	18%	14%	7%	3,508

Note: On the 2000 survey, see Kristinsson (2001). The question posed in both cases was ‘Do you think that nepotism, cronyism and political patronage play a very large role, large, some, small or no role in getting things done in your municipality?’

The word corruption was absent from the surveys, but they did include terms referring to types of corruption most likely to be familiar in Icelandic municipalities. By avoiding

the direct use of the word, the thorny definitional issue of what might be described as corruption was evaded, and some of its major forms (in the context of Icelandic local government) were tackled directly instead. The words used are all common words in Icelandic, and the response rate for the 2009 survey items was 90%. In each survey, around 80% answered that corruption plays at least some role and around 60% stated that it plays a large or very large role.

Measuring corruption statistically may be done through various types of content analysis (e.g. of court records or newspaper articles) and interview techniques (e.g. experts, victims or general surveys). Each method has advantages and disadvantages (Seligson 2002). Contextual and pragmatic considerations may influence the choice of method, but a reasonable case must nonetheless be made for the validity of the measurement. The use of survey research to establish patterns of corruption may be justified where other reliable information is unavailable and the respondents are well informed. In the case of ‘soft’ corruption in Icelandic local governments, which is often legal (hence, court records are of little use) and occurs in small communities lacking real experts but likely to have a reasonably knowing public, surveys constitute the best tool available. An impressive degree of correspondence between expert and public perceptions of corruption, even in societies far bigger than the small Icelandic municipalities, has been established in the research (Holmberg 2009; Svallfors 2012). In the present case, the data on perceived corruption were obtained from Icelandic municipalities with more than 2,000 inhabitants (22 at the time), representing about 90% of the population. A sample of 300 eligible voters was drawn in each municipality, and the respondents were interviewed via telephone in the summer of 2009. The total sample included 6,900 respondents, and answers were obtained from 3,904 or 57% of this sample.¹

2. Political control in Icelandic local government

According to Jain (2001), corruption occurs where the potential benefits outweigh the risks, meaning that it is likely to reflect the presence of discretionary power and the availability of rent, but the absence of serious deterrents. Drawing on Jain’s insight, we divide the discussion of the likely determinants of corruption into three parts. First we present our main independent variable which is the position of the mayor who may be either the strong political mayor (high politicization and control) or mayor manager, who usually is less politicized and with a weaker position vis-à-vis the council. We then discuss rent, on the one hand, and deterrents, on the other.

Despite a legal structure which shares important features with the Nordic countries, Icelandic local government also has similarities with South European systems. Jiménez et al. (2012) point out that in Spain, like many South European countries, the combination of a small population, small council size and a strong mayor, has contributed to corruption at the local level, suggesting that amalgamations along a North European pattern might improve the situation. In Iceland, weak and late urbanization contributed to a pattern similar to that which the Napoleonic state created in the local governments in Southern Europe, that is, essentially dependent governments with small local govern-

ment units, but relatively strong mayors.

No elaborate attempts have been made to link Icelandic municipalities to major typologies of European local governments (e.g. Page and Goldsmith 1987; Hesse and Sharpe 1991; Mouritzen and Svava 2002). Page and Goldsmith's (1987) analytical framework of central–local relations is developed on the basis of three criteria: the number and type of functions allocated to local governments, the amount of discretion open to local governments and the access of local politicians to the central state. Two main patterns emerge from their study. On the one hand, the South European pattern is characterized by local governments with relatively few functions, a small amount of legal discretion and high access to the central government. On the other hand, the North European pattern is one where local governments are entrusted with wide and important functions and considerable discretion, but have relatively little access to the central government. The former developed in the context of the centralized Napoleonic state, where local governments formed part of a clientelist system lobbying the centre for favours, whereas the latter developed a more decentralized bureaucracy and local government which eventually came to play a key role in the systematic delivery of local welfare services (see also Page 1991; John 2001, ch. 2).

Unlike the Scandinavian pattern, where the development of a strong welfare state was built on strong local government (Albæk et al. 1996), the Icelandic case was characterized by the dependence of the local governments upon the central government, with political clientelism as an important mechanism of political exchange (Kristinsson 2001). The vertical dimension of clientelism involved the distribution of favours from the centre to the local level, where the local governments played an important role, often in collaboration with the heads of local state agencies and local MPs. Local access to the ministries in Reykjavík and parliament was eased through an electoral system strongly biased in favour of the rural areas and regions outside the Reykjavík area (Harðarson and Kristinsson 2010). The relatively active role played by parliament in both budget decisions and legislation in Iceland gave local interests access to an arena where they were well connected and able to meet a much more sympathetic understanding than in the national bureaucracy. The small functional role of Iceland's local governments and the tendency to deal with issues in central–local relations on an ad hoc basis led to a complicated and non-transparent division of labour which eventually became a problem in its own right (Ministry of Social Affairs 1992).

Two models of reform have dominated the discussion of local government in Iceland since the Second World War. One was focused on the regional level of government to compensate for weak local governments and the other amalgamated and created larger municipalities. Both have had a certain impact but the latter clearly became the dominant strategy. The average number of municipal inhabitants in 1950 was close to 630, but outside the capital of Reykjavík, the average was 380 and much lower in rural areas. The rural communes had no possibility of establishing a professional administration and depended on the central government for the provision of important services. The larger towns had greater capacity, and their authority and discretion at adopting new

tasks was generally interpreted liberally. However, the dependence of smaller communes on the central government created a formidable hindrance to the systematic transfer of functions to the local government level, leaving the bulk of social welfare, education and health services in the hands of the national government. Legislation affecting the distribution of services between the central and local governments took as its point of departure the inability of smaller communes to take over tasks from the central government.

Instead of pushing forward large-scale amalgamations of local governments to provide the basis for a more professional administration and greater service competence, the Local Government Act of 1986 fortified the position of the small communes in several ways, for instance, by restating (with minor exceptions) the principle of voluntary amalgamations. Nonetheless, a number of efforts have been made since to clarify the division of labour between the local and central governments, to transfer important functions to the local level (most importantly the elementary school in 1996) and, above all, to promote voluntary amalgamations of local governments (Eybórsson 2012). This has reduced the number of local government units from 222 in 1986 to 74 in 2014 and contributed to greater service capacity and a more professional administration in many cases, although most local government units (57%) still have fewer than 1,000 inhabitants. The average number of inhabitants in 2014 was 4,400 but 2,800 outside Reykjavík.

Although politicians and administrators cooperate and compete for influence at the local level (Svara 1994), both historical and contemporary research indicates that a certain amount of bureaucratic autonomy—with a professional merit bureaucracy at the core—helps prevent corruption (Dahlström et al. 2012; Silberman 1993). Reformers have often identified the close association between politics and administration as an inducement to corruption. In their early study of American municipal politics, Banfield and Wilson (1963, 1) maintained that '[t]he nature of the governmental system gives private interests such good opportunities to participate in the making of public decisions that there is virtually no sphere of administration apart from politics'. Reformers saw this situation as highly conducive to incompetence, waste and corruption, looking primarily to non-partisan politics and professionalization to improve the situation (Dye 1997, 299–301; Shefter 1994). A focal point of many reforms was the introduction of a council–manager form of government, to replace the mayor–council or commission form, where a professional administrator took charge of administration, blocking politicians' direct access to case-by-case interference.

The Nordic experience of relatively minimal local corruption does not support the contention that party politics inevitably lead to corruption. Nor does close cooperation between politicians and administrators at the apex of local government necessarily lead to corruption. Thus, Scandinavian (including Icelandic) local government adheres to a *monistic* rather than a *dualistic* model. In the monistic model, 'all powers of local government rest with the elected council (and its committees)', and this applies to deliberations on policy as well as control of the local administration (Wollman 2009, 118). The presence of a sufficiently strong professional administration alongside the political leader of the council can, however, make a crucial difference.

According to Icelandic law, the council appoints the executive committee and the mayor, hires senior officials in the administrations and directs other administrative matters along with the committees it appoints in accordance with its administrative statutes (written by the council, although requiring ministry approval). Larger town councils select an executive committee on a proportional basis, where the mayor also has a seat. The legal authority of the mayor has never been very clearly stated in Icelandic law, and a general clause establishing a clear line of command from the mayor to other members of staff was not introduced in the Local Government Act until 1986. However, the mayor's *de facto* powers vary according to various factors, especially political ones. In many cases, the relationships among the forces in the town council decisively influence the power of the mayor along with his or her political standing.

Apart from the small rural communes, some of which are without a mayor, there are, in practice, two types of mayors in Iceland, although legally they are the same. Some of the municipalities are led administratively by the mayor-manager, who is a non-elected professional hired by the council majority. Others are run by a political mayor, who is both the effective leader of the council majority and the hired CEO of the town administration. In both cases, the mayor co-exists with the chairman of the council, who, in a council with a mayor-manager, may be first among equals, but in a council with a political mayor, usually plays a smaller role. Interviews conducted as part of this research² indicate that the political mayor is considered to be much more powerful than his or her mayor-manager counterpart. The political mayors are not directly elected as mayors but are often hired by single party majorities or majorities with a predominant party. While proportional representation is used in local elections, the combination of a formula advantageous to large parties (d'hondt) (Harðarson and Indriðason 2005) and a small district magnitude (5–15) creates a substantial advantage for large parties and, in some cases, makes local elections direct contests between alternative majorities. This lends an element of the 'strong-mayor form' (Mouritzen and Svava 2002) to local governments with political mayors. In fact, the political mayors in Iceland tend to play an entrepreneurial role rather than an integrative one, unlike what appears to be the prevailing Nordic pattern (Aars 2009, 320). While the patronage at the mayor's disposal is likely to have declined in most places, its composition has also changed. Instead of serving such ordinary needs as stable employment and welfare, where the modern welfare system plays a greater role than before, there are important business interests at stake in local decision making, especially in expanding towns. The political mayor is a key network player, and many such mayors see themselves as 'visionary brokers', to borrow a term from Stevyers et al. (2009).

The mayor-managers play a more varied and complicated game. They are not entirely non-political, as they are hired by the council (either the majority or by consensus), and some eventually change roles and become political mayors after being elected. However, they tend to respect professional limits, and officially they are more clearly seen as serving the whole community rather than just the council majority. In most cases, they are seen as occupying an integrative and professional role to a much greater extent than

the political mayors. The political mayors have far greater discretionary powers than the mayor-managers and are likely to create stronger perceptions of corruption in their municipalities.

3. Local governance and temptation

Pollitt and Bouckaert (2011, 21) define governance as the broad trend of moving ‘away from traditional hierarchical forms of organization and the adoption of network forms’ (see also Kettl 2002; Pierre and Peters 2000; Goldsmith and Eggers 2004). Icelandic municipalities are no newcomers to such practices. Because of their small size they have always relied to a great extent on inter-municipal co-operation and contracting out. Even the larger municipalities to some extent solve a number of problems – large and small – through public corporations, various forms of inter-municipal projects, partnerships and contracts. No precise information exists concerning the size of this semi-public sector but in the case of the smallest municipalities it is likely to take up most of their resources. The trend towards networked governance and New Public Management since the 1980s therefore was not much of a novelty at the local level in Iceland: it blended in rather nicely with pre-existing practices.

Although the dangers associated with networked governance were recognized in the theoretical literature from the start, particularly in its new public management (NPM) version (Hood 1991; Doig and Wilson 1998) there appears to have been little comparable discussion of such dangers in Iceland. It still remains the case that although there is growing concern in the other Nordic countries over the effects of governance on corruption and legitimacy (Erlingsson et al. 2008; Andersson et al. 2014) hardly any comparable discussion has taken place in Iceland. The dangers are equally present, however, as the new governance places a multitude of actors on the borderline between the public and private sectors, with vested interests in cultivating privileged access to decision making and contracts. The availability of rent is likely to affect what Andersson and Erlingsson (2012) call *the structure of temptation* at the local level, which may vary between different governance arrangements.

Traditionally, the predominant mode of local governance in Iceland was strongly influenced by clientelism. The growth of mass membership parties in Iceland during the inter-war period saw the development of a clientelism more akin to that in several regions of North America and Southern Europe than the Nordic area. The local parties were partly class organizations sharing some of the ideals of their North European counterparts, but also partly organizations based on material rewards, distributing employment and other tangible benefits to their supporters, such as public services, welfare, permits, loans, contracts and access to valuable contacts and brokerage. As in many other countries, old style clientelism has been weakened in several ways since the 1960s at both the national and local levels, and replaced by a more elitist system of governance (Harding 1997). The factors contributing to this include smaller state involvement in the economy, greater public sector professionalism and welfare services, stronger media scrutiny and a reduced need for the parties to do volunteer work (Kristinsson 2012).

The decline of clientelism, however, has probably not affected the local level to the same extent as it has the national level. Many local governments remain very small and lack the capacity to produce professional welfare services. The local party organizations are generally more dependent on voluntary work than are the national ones, and most of the local media outlets are weak and hardly affected by professionalization. In addition, many local governments have close ties to important business interests and are believed to favour them in their decision making (Kristinsson 2014). Although NPM had considerable impact in Iceland at the national level (Kristmundsson 2003), at the local level its effects were probably more to legitimize collaborative networks of public, private and semi-private agents that were already in existence than to initiate entirely new forms of governance. During the economic expansion after the turn of the century, however, the collaboration between municipal authorities and private enterprise reached new dimensions, especially in terms of contracting and planning issues (Kristinsson 2014). In the new governance of Icelandic towns, there was more at stake than in the old clientelist system, but in less inclusive networks. Following Jain (2001), we should expect the temptation of corruption to be strongest in the cases where close contacts between public and private interests make rent from biased decisions available to the major actors, especially in municipalities undergoing rapid growth.

4. Deterrents

Deterrents to corruption aim at raising the cost of corruption for those who might be in a position and tempted to carry out corrupt acts. Any mechanism which is likely to affect the utility calculation of potentially corrupt actors negatively may be seen as a deterrent, including a large number of legal, economic, political and administrative tools (United Nations 2004). In some cases, the role of deterrents may be modelled in terms of principal-agent relationships to prevent shirking by agents (Rose-Ackerman 1999). Where corruption is widespread, however, Persson et al. (2013) suggest that it may be more fruitful to model corruption as a collective action problem, which persists due to a general belief in the futility of abstaining from corruption. The effectiveness of different strategies for fighting corruption, however, is an empirical question as well as a theoretical one. Among the most widely used tools to fight corruption are legal or regulatory supervision and transparency. The former may be part of the normal system of law enforcement, government hierarchy, special agencies or task forces and multi-level governance. The latter is expected to work on the theory that since people generally disapprove of corruption, transparency in government is likely to act as a powerful deterrent.

No special system for corruption prevention at the local level exists in Iceland, although the general framework for the rule of law and administrative procedure may affect the likelihood of corruption. Auditing is highly decentralized, and very few municipalities have developed agencies to deal with citizen complaints, such as a local ombudsman (the first such position was established in Reykjavík in 2013). Nonetheless, the effectiveness of surveillance by the national government is considered to vary by locality, and the level of transparency varies in proportion to administrative capacity.³

5. Data and hypotheses

The following analysis of patterns of perceived corruption in local governments in Iceland is based on indicators for the local governments representing more than 2,000 inhabitants, combining individual-level and aggregate data on the 22 municipalities studied. Political control is measured by a dummy variable where 0 stands for mayor-manager and 1 for the stronger political mayor. At the time of the survey, 12 of the municipalities had political mayors and 10 had mayor-managers. Based on our discussion of the effects of politicization and strong political control we get H3:

H1. Towns with political mayors are likely to have higher levels of corruption than towns with mayor managers.

Two measures were used to measure the impact of governance and the structure of temptation. First, towns with strong population growth are likely to draw the attention of private developers. An expanding housing market leads to competition for land and plans for high density building projects, where landowners and contractors can make substantial profits. Thus, population growth in 2006–2009 was used as an indicator of rent attraction. Second, the strength of growth networks (political elite associated with influential contractors) was estimated on the basis of the answers given by council members who were asked to estimate the impact of different groups on planning issues, including landowners and contractors. The alternatives ranged from 1 (very small influence) to 5 (very great influence). The overall average obtained for landowners and contractors was 3.5. The hypotheses tested in this research area follow:

H2: High expansion towns, in terms of population growth, are likely to experience higher levels of corruption than stagnant ones.

H3: Towns with ‘growth networks’ (political elite associated with influential contractors) are likely to experience higher levels of corruption than others.

Potential deterrents to corruption were measured in three ways. First, the council members’ estimates of the influence of the National Planning Agency (NPA) were used as an indicator of monitoring by the national government. As in the case of landowners and contractors, the council members were asked to estimate the influence of the NPA on a scale from 1 to 5, giving an overall mean of 3.3 and a standard deviation of 1.2. Local transparency was estimated on the basis of the following question: ‘Do you think that the local government in your municipality does a good job of making plans for big construction projects or changes to existing plans publicly known—or are you neutral with regard to this?’ The alternatives ranged from 1 (very badly presented) to 5 (very well presented). The mean among the municipalities was 3.3, with a rather low standard deviation of .3.

The strength of the local press was estimated on the basis of the distribution figures obtained from Statistics Iceland (personal communication). All but one of the municipalities had one or more local papers, and the indicator used here is the number of copies published each month per inhabitant, ranging from 0 to 2.5, with an average of 1.2.

H4. The greater the perceived influence of the NPA is, the less corruption there will be.

H5. The greater the perceived transparency in municipal planning issues, the smaller the likelihood of corruption.

H6. The stronger the local press, the lower the level of corruption.

Two additional controls were used in the analysis. The population size of the municipalities varies rather significantly (2,000–115,000), and previous research shows that size often exerts an important influence on how the municipalities operate (Kristinsson 2001). Hence, the population size in 2009 was used as a control variable. The other factor controlled for was the number of council respondents from the majority and minority. We call this factor ‘size of majority’, since it normally reflects the size of the majority, but given the small number of respondents, it can be sensitive to different response rates from the majority and minority. Since two of our variables (growth networks and NPA influence) are based on evaluations made by council members, it seemed necessary to control for the size of the majority, as reflected among our respondents.

6. Analysis

As the variables in the study were measured at different levels (individual and municipality levels), a multilevel regression analysis was conducted. First, the correlation between the independent variables and corruption was examined. The results of the correlation analysis are presented in Table 2. The first column shows the simple bivariate relationship between the independent variables and corruption, while the control variables are introduced in the second and third columns (population size and size of majority).

Table 2. Correlations of corruption in Icelandic municipalities

	Corruption	Corruption (ctr. for population size)	Corruption (ctr. for size of majority)
Political mayor	.64**	.59*	.70**
Population expansion	.58**	.40	.48**
Growth network	.71**	.66**	.64**
Influence of NPA	-.54**	-.55*	-.41*
Transparency	-.56**	-.48*	-.50*
Press	.10	.24	.22

Correlation between variables aggregated across municipalities. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

The bivariate analysis revealed that perceived corruption has strong and significant correlations to each of the hypothesized independent variables except the strength of the local press. Although the introduction of control variables in some cases affected the significance levels, the correlations remained strong and in the right direction.

That the strength of the press had no effect on corruption indicates that the local press in Iceland fails to act as a deterrent to corruption. Our measure of the strength of the local press reflects distribution of papers. In some cases, there is only one local paper, which usually depends in several ways on the municipal authority for its survival. Even where there is more than one local paper, this does not reduce corruption; in fact, it gets worse. Both our in-depth interviews and other sources (Karlsson 2010) indicate that the local press is too sensitive to pressure from the municipal government to act as a serious deterrent to corruption. Therefore, the press was excluded from the multivariate analysis.

By moving from a purely bivariate analysis to multilevel regression, we attempted to simplify the explanation, taking into account the dependency of observations in the municipalities and potential correlations between our independent variables. Model 1 includes all the independent variables specified in H1 to H5. The analysis revealed that the only independent variable that significantly predicts corruption is transparency (see Table 3). There was a strong correlation between the independent variables' growth network and a political mayor. Thus, when specifying model 2, growth network was the first variable removed from the model. Still, the fit was not good; therefore, NPA was also removed, leaving us with model 2. This final model consisted of three independent variables: mayor, population expansion and transparency. The relationship between the

Table 3. Determinants of corruption in Icelandic municipalities: Two multilevel regression models

Predictor	B	Std. Error	t	Sig.
Model 1				
Intercept	4.353	0.377	11.557	0.000
Political mayor	0.165	0.082	2.008	0.057
Population expansion	0.000	0.000	1.472	0.155
Transparency	-0.298	0.020	-15.118	0.000
Influence of NPA	-0.089	0.065	-1.367	0.185
Growth network	0.068	0.069	0.980	0.338
Model 2				
Intercept	1.766	0.079	22.356	0.000
Political mayor	-0.231	0.059	-3.894	0.001
Population expansion	0.000	0.000	-2.852	0.009
Transparency	0.298	0.020	15.077	0.000

independent variables and the dependent variable, corruption, showed significant variance in intercepts across municipalities, $\text{var}(u_{0j}) = .0083$; $\text{c}^2(1) = 5.913$; $p < .05$.

Mayor-manager significantly predicted less corruption than strong political mayor ($b = .2314$, $t(21.6) = -3.89$, $p = .001$). Population expansion was related to greater corruption ($b = 6.73$, $t(22.6) = 2.85$, $p = .009$) and greater transparency predicted less corruption ($b = -.29$, $t(2997.2) = -15.07$, $p = .000$).

In the simplified model (model 2), the strongest predictors were retained. Each represents a key ingredient of our three explanatory factors. Political control and discretion is represented by a strong political mayor, rent by population expansion and deterrence by transparency. The analysis indicated that growth networks and the influence of NPA fail to add to the statistical explanation of the model, but they are nonetheless highly related to the factors which we retained.

7. Discussion

The perceptions of local corruption in Iceland are strongly affected by the presence of a political mayor. The bivariate correlations show that professional manager-mayors reduce the risk of perceived corruption, while strong political mayors increase it. However, they also show a relationship between corruption and other factors affecting local governance, both related to the structure of temptation (population expansion and growth networks) and the presence of deterrents to corruption. The influence of NPA and local transparency reduce the risk of corruption, but the strength of the local press has no significance. In an attempt to establish the effects of political control in conjunction with the other hypothesized independent variables a multilevel regression model was developed containing in the first place the political mayor variable while at the same time holding on to key representatives of structural temptation (population expansion) and deterrents (transparency). The analysis shows that political mayor remains a strong explanatory variable even when the other two are included, indicating that it contributes significantly and independently to perceptions of corruption at the local level.

More generally, the findings suggest that attempts to control governance networks through strong political leadership may aggravate the problem of corruption at the local level. While the analysis suggests that deterrents may work in the fight against corruption the effects of political mayors remain significant when transparency is accounted for. A strong professional bureaucracy thus seems part and parcel of non-corrupt government at the local level. The trend in recent years to welcome politicization and strong political control should be evaluated in this light as a potential problem in its own right.

With respect to democratic accountability and control the analysis points to unsolved dilemmas of contemporary governance. On the one hand the elected representatives serve an essential linkage function between government and the electorate. Their power is the key to meaningful accountability. On the other hand, their power has the potential to corrupt unless it is restrained by agents placed in incentive structures different from those of politicians, including professionals and bureaucrats. Holding on to

meaningful administrative autonomy thus remains a central task of government reforms if corruption is to be held at bay. Our traditional ways of thinking of this problem, e.g. through separation of powers and checks and balances, need to pay greater attention to the role of administrative capacity and bureaucratic autonomy in controlling corruption.

Acknowledgements

The author is grateful to Rannís, the University of Iceland Research Fund, Icelandic Association of Local Authorities, Landsbanki Íslands and Orkuveita Reykjavíkur for grants awarded to this research project. Two critical reviews by anonymous referees for IRPA were also very helpful in developing the article.

Notes

- 1 Of course, our measurement of corruption concerns perceived corruption rather than direct observation. Perceived corruption in this case serves as a reasonable proxy in a research field where more direct measures are hard to come by. Apart from the validity of popular perceptions as corruption measures, the widespread belief that corruption exists, even in its milder forms, constitutes a problem for efficient governance. Not only may it contribute to collective action problems of the kind discussed by Persson et al. (2012); it is also likely to impair the legitimacy of government and its efficiency in the long run. Widespread perceptions of corruption, to a degree irrespective of their accuracy, may adversely affect the well-being of the citizens and the legitimacy of the system.
- 2 The quantitative surveys were supplemented by 66 qualitative interviews with persons active in local governance or administration.
- 3 Some deterrents have been added since the study was conducted in 2009 e.g. through the new local government act of 2011 which require that local governments adopt codes of ethics. No research exists, however, on the effects of such changes.

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