

POLITICAL ECONOMY OF CORRUPTION AND GOOD GOVERNANCE

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Thursday, 3:30-5:15, Social Science 6112

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In the past two decades, there has been increased interest in corruption—the abuse of public power for private gain. Building on existing theoretical foundations, progress has been made in analyzing its causes and its political, social, and economic effects. A major impetus for the recent explosion of empirical work is the increasing availability (and acceptability) of cross-national measures of corruption. Economists, political scientists, and policy analysts have examined corruption empirically in analyses that attempt to sort out systematically its underlying causes, its global distribution, and its consequences for growth, investment, government expenditure, income distribution, and regime support. These studies are complemented by other empirical work that relies on different sorts of evidence to investigate the scope, severity, and variety of forms of corruption. All this is combined with greater agreement among governments, multinational corporations, and international lending agencies that corruption is a practical problem with a big impact on outcomes of their policies, investments, and projects. At the same time, anticorruption activism has grown at the grassroots: in an increasing number of countries, nongovernmental watchdog organizations have emerged to pressure governments toward greater transparency and accountability.

Can anticorruption reform promote good governance? This is an important academic and policy research question. We begin with basic questions about definition and measurement and then examine a number of perspectives on causes and consequences of corruption. Most of the seminar has a policy orientation: it considers the state of our cumulative knowledge on corruption as a policy issue that demands action both within countries and globally by a wide range of players.

Reading

Required reading materials consist of most of one book and a selection of book chapters and journal articles. The book, Ray Fisman, & Miriam Golden, (2017). *Corruption: What everyone needs to know*. Oxford University Press (noted s F&G in the syllabus), is available for purchase online at any reputable book seller. Students are responsible for finding journal articles. Book chapters will be posted on Canvas.

Expectations and Evaluation

Your grade is based on the quality of your performance on four dimensions. First, as this is a seminar, I expect you to have done the readings and to participate in a meaningful way. To this end, I would like you to help lead a week of discussion. I'll distribute a link to a Qualtrics survey where you can pick your first 3 choices of topic. Given the size of the course, we will no doubt need to pair up most (if not all) weeks. Second, I expect each of you to write a descriptive and analytical response paper of about 1,500 words, focusing on the readings for any one week. This paper is due by noon on Thursday of the week we are discussing your readings. Submit it on the Canvas course page. Third, I'd like to give you some practice using those wonderful statistics you have been learning about in your core courses. More details are at the end of the syllabus, but I want you to find data on corruption for a country of your choice and create a correlational model – ideally using STATA or R.

Fourth and finally, I expect you to write and present a research report to your fellow students. Your report may analyze an empirical case of corruption (a specific historical case or a country) or evaluate an anticorruption reform (an international institution/agreement or a country's internal reforms). The study may use qualitative or quantitative methods – if the latter, you may use the data gathered in the third exercise, but the analysis must be different. I will happily accommodate reasonable alternative suggestions, based on your interests and experience. I encourage you to discuss possible topics early – the spring semester moves quickly (and you have a one-page proposal due March 1)! More instructions about the report are found at the end of this syllabus.

Leading class discussion: 10%

In-class participation: 15%

Response paper: 15%

Data exercise: 20%

Research report: 40% (5% proposal: due March 1; 10% presentation; 25% written report)

Schedule

January 26: Introduction and Overview

Prepare for discussion. Describe an actual case of corruption you have encountered in the past decade either personally or through a media account, ideally with international content. Why is this an example of corruption? What standard are you using to define it as such?

Recommended:

Jakob Svensson, "Eight Questions about Corruption," *Journal of Economic Perspectives*, vol. 19, no. 3 (2005): 19–42.

F&G: Chapter 1 [skim]

February 2: Defining and Measuring Corruption

Transparency International Corruption Perceptions Index and Transparency International Global Corruption Barometer: [http://www.transparency.org/](http://www.transparency.org/Ease of Doing Business Index, World Bank Group)
[Ease of Doing Business Index, World Bank Group](http://www.transparency.org/Ease of Doing Business Index, World Bank Group)

Laura Langbein and Stephen Knack, "The Worldwide Governance Indicators: Six, One, or None?" *Journal of Development Studies*, vol. 46, no. 2 (2010): 350–370.

Benjamin A. Olken, "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy*, vol. 115, no. 2 (2007): 200–249.

F&G: Chapter 2

Recommended:

World Bank Governance Indicators: <http://info.worldbank.org/governance/wgi/resources.htm>.

Quality of Governance Institute, University of Gothenburg, Sweden, European Quality of Governance Index at <http://qog.pol.gu.se/data/datadownloads/qogeuiregionaldata>.

February 9: Social, Political, and Economic Effects of Corruption

F&G: Chapter 4.

Read 2 of 3:

Paulo Mauro, "Corruption and Growth," *Quarterly Journal of Economics*, vol. 110, no. 3: 681–712.

Nauro F. Campos, Ralitza Dimova, and Ahmad Saleh, "Corruption and Economic Growth: An Econometric Survey of the Evidence," *Journal of Institutional and Theoretical Economics*, vol. 172, no. 3 (2016): 521–543.

Mitchell A. Seligson, "The Measurement and Impact of Corruption Victimization: Survey Evidence from Latin America," *World Development*, vol. 34, no. 2 (2006): 381–404.

February 16: Who is Corrupt?

F&G: Chapter 5

Read 2 of 3:

Andrew Wedeman, "Looters, Rent-Scrapers, and Dividend Collectors: The Political Economy of Corruption in Zaire, South Korea, and the Philippines," *Journal of Developing Areas*, vol. 31, no. 4 (1997): 457–478.

Benjamin A. Olken and Patrick Barron, "The Simple Economics of Extortion: Evidence from Trucking in Aceh," *Journal of Political Economy*, vol. 117, no. 3 (2009): 417–452.

Philip Oldenburg, "Middlemen in Third-World Corruption: Implications of an Indian Case," *World Politics*, vol. 39, no. 4 (1987): 508–535.

February 23: How Corruption May Corrupt aka Does Culture Matter?

F&G: Chapter 6.

Read 2 of 3:

Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge: Harvard University Press, 2004), 1–23. [Available through UW Library]

Fisman, Raymond, and Edward Miguel. "Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets." *Journal of Political Economy* 115.6 (2007): 1020-1048.

Simpser, Alberto. "The culture of corruption across generations: An empirical study of bribery attitudes and behavior." *The Journal of Politics* 82.4 (2020): 1373-1389

March 2: Empirical Evidence on Causes of Corruption

F&G: chapter 7

Daniel Treisman, "What Have We Learned about the Causes of Corruption from Ten Years of Cross-National Empirical Research?" *Annual Review of Political Science*, vol. 10, 2007: 211–244.

Daniel Treisman, "The Causes of Corruption: A Cross-National Study," *Journal of Public Economics*, vol. 76, no. 3 (2000): 399–458.

March 9: Electoral Corruption and Election Monitoring

F&G: chapter 7

Kelley, Judith. "D-minus elections: The politics and norms of international election observation." *International Organization* 63.4 (2009): 765-787.

Read 2 of 3:

Winters, Matthew S., and Rebecca Weitz-Shapiro. "Lacking information or condoning corruption: When do voters support corrupt politicians?" *Comparative Politics* 45.4 (2013): 418-436.

Susan Welch and John R. Hibbing, "The Effects of Charges of Corruption on Voting Behavior in Congressional Elections, 1982–1990," *Journal of Politics*, vol. 59, no. 1 (1997): 226–239.

Sarah Engler, "Corruption and Electoral Support for New Political Parties in Central and Eastern Europe," *West European Politics*, vol. 39, no. 2 (2016): 278–304.

March 16: Spring Break

March 23: The International Business of Corruption

Indira Carr and Opi Outhwaite, "The OECD Anti-Bribery Convention Ten Years On," *Manchester Journal of International Economic Law*, vol. 5, no. 1 (2008): 3–35.

Nathan M. Jensen and Edmund J. Malesky, "Nonstate Actors and Compliance with International Agreements: An Empirical Analysis of the OECD Anti-Bribery Convention," *International Organization*, vol. 72, no. 1 (2018): 33–69.

Findley, Michael G., Daniel L. Nielson, and Jason C. Sharman. "Using Field Experiments in International Relations: A Randomized Study of Anonymous Incorporation 1." *International Organization* 67.4 (2013): 657-693.

March 30: Corruption and Foreign Financial Flows [Mark Copelovitch Guest Lecturer]

READINGS TBA

April 6: Information and the Mass Media

Aymo Brunetti and Beatrice Weder, "A Free Press Is Bad News for Corruption," *Journal of Public Economics*, vol. 87, nos. 7–8 (2003): 1801–1824.

Catharina Lindstedt and Daniel Naurin, "Transparency Is Not Enough: Making Transparency Effective in Reducing Corruption," *International Political Science Review*, vol. 31, no. 3 (2010): 301–322.

Edmund Malesky, Paul Schuler, and Anh Tran, "The Adverse Effects of Sunshine: Evidence from a Field Experiment on Legislative Transparency in an Authoritarian Assembly," *American Political Science Review*, vol. 106, no. 4 (2012): 762–768.

Read 1 of 2:

John C. Bertot, Paul T. Jaeger, and Justin M. Grimes, "Using ICTs To Create a Culture of Transparency: E-Government and Social Media as Openness and Anti-Corruption Tools for Societies," *Government Information Quarterly*, vol. 27, no. 3 (2010): 264–271.

Leonid Peisakhin and Paul Pinto, "Is Transparency an Effective Anti-Corruption Strategy? Evidence from a Field Experiment in India," *Regulation and Governance*, vol. 4, no. 3: 261–280.

April 13: Anticorruption Agencies

F&G: Chapter 9

Read 2 of 3:

Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge, Mass.: Harvard University Press, 2004), 27–83. [Online @ UW Library]

Patrick Meagher, "Anti-Corruption Agencies: Rhetoric versus Reality," *Journal of Policy Reform*, vol. 8, no. 1 (2005): 69–103.

Bo Rothstein, "Anti-Corruption: The Indirect 'Big Bang' Approach," *Review of International Political Economy*, vol. 18, no. 2 (2011): 228–250.

April 20: Anticorruption "experiments"

Kate Gillespie and Gwenn Okruhlik, "The Political Dimensions of Corruption Cleanups: A Framework for Analysis," *Comparative Politics*, vol. 24, no. 1 (1991): 77–95.

Read 2 of 4 based on interest:

Rafael Di Tella and Ernesto Schargrodsky, "The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires," *Journal of Law and Economics*, vol. 46 (2003): 269–292.

Yuen Yuen Ang, "Authoritarian Restraints on Online Activism Revisited: Why 'I-Paid-A-Bribe' Worked in India but Failed in China," *Comparative Politics*, vol. 47, no. 1 (2014): 21–40.

Jon S. T. Quah, "Defying Institutional Failure: Learning from the Experiences of Anti-Corruption in Four Asian Countries," *Crime, Law, and Social Change*, vol. 53, no. 1 (2010): 23–54.

Hyde, Susan D. "The observer effect in international politics: Evidence from a natural experiment." *World politics* 60.1 (2007): 37-63.

April 27 and May 4: Presentations of Research Reports

Data Analysis Report

Use one of the databases or data sets discussed in class to gather data on a country of your choice. Find at least two variables to test correlations with your country-level measure of corruption. Outline: a) what the variables are; b) why you chose them; c) how they are measured; d) your hypotheses about the nature of the correlation (e.g., direction, strength), e) whether your hypotheses were supported; f) why or why not?

You should also discuss any other issues that might be relevant: concerns about data quality, measurement error, unmeasured influences, etc. I have no preference over the exact type of model or statistical package you use to generate the correlations/regressions.

Your report should not exceed 5 pages, single-spaced, excluding citations. The assignment is worth 20% of your grade.

Research Report

The research report accounts for 40 percent of the course grade, distributed across different report components, as described below. You are welcome to work with one or more fellow students in the seminar on a collaborative report; collaborative work receives a single grade, based on product.

Your report may analyze an empirical case of corruption (case or episode), evaluate an anticorruption reform (country or international), or attempt an original statistical study (you may use data from the Data Analysis Report but I want a more full-fledged development of hypothesis, potential confounders, etc.). I will happily accommodate reasonable alternative suggestions, based on your interests and experience.

Due dates and weights for component parts of the research report

March 1: 1-page abstract introducing your research question and how you plan to go about answering it, plus a preliminary list of references or data (or both) that you have already consulted at least briefly, i.e., enough to know they will be useful, 5 percent

April 27 and May 4: presentation of research report, 10 percent

May 9: completed research report, 25 percent

For your presentation, I encourage you to use PowerPoint or distribute a handout. If the former, bring your slides on a flashdrive and one hard copy of the slide printout for me.

Style guidelines and evaluation

The report itself should be no longer than about 5,000 words in length. This does not include front matter, references, tables, or figures. Your grade will mainly reflect your demonstrated research and analytical effort and your success in presenting and supporting a clear analytical argument with evidence from appropriate sources. Writing quality is not definitive but it matters. Write clearly and succinctly.

I have no preference on what type of format or citation style you use. Pick one and stick to it. It also goes without saying that you need to observe appropriate guidelines on what is considered plagiarism, when and how to cite, et cetera. A convenient reference is the Writer's Handbook found at the Writing Center website at <http://www.wisc.edu/writing/>.