

POLITICAL ECONOMY OF CORRUPTION AND GOOD GOVERNANCE

Public Affairs 857, Spring 2012, Mondays 3:30–5:25 p.m., 2185 Grainger Hall

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In recent years, 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 statistical 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 a post-Cold War greater acceptance by 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.

What are the prospects for success in anticorruption reform and prescriptions, if any, for hurrying good governance along? This is an intriguing generic research question and a formidable practical policy problem. It is the focus of this seminar. We begin with issues of definition and measurement and then examine a number of theoretical perspectives on causes and consequences of corruption, mainly from the disciplines of political science and economics. Most of the seminar, however, 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, except for some materials accessible on the Internet and for which links are identified in this syllabus, consist of most of one book and a selection of book chapters and journal articles. The book, *Syndromes of Corruption: Wealth, Power, and Democracy* by Michael Johnston (Cambridge: Cambridge University Press, 2005), is available for purchase at the University Bookstore. Other readings are available electronically at the Learn@UW course website.

Expectations and Evaluation

Your course grade is based on the quality of your performance on four dimensions, described below.

As this is a graduate seminar, you are expected to **participate** in an informed way. Specifically, each Monday, you submit discussion comments or questions (ideally both), to the Learn@UW course website discussion board by 7:00 a.m., taking into account readings and questions for that day. I also strongly

encourage you to read contributions of your fellow students and engage in on-line discussion.¹
Weight: online discussion 10 percent, in-class participation 15 percent

In addition, each of you is also expected to respond, in a **short paper**, i.e., about 1500 words, to the questions associated with the readings for one Monday from February 6 through March 26. This paper is due at the same time as discussion comments and questions. Submit it to the Learn@UW course website dropbox, not discussion board. Weight: 15 percent

You also have the opportunity to demonstrate what you have learned in an **in-class examination**.
Weight: 25 percent

Finally, you will write and present to your fellow students a **research report**. Your report may analyze an empirical case of corruption, evaluate an anticorruption reform, or attempt an original statistical study. I will happily accommodate reasonable alternative suggestions, based on your interests and experience. I encourage you to see me early to discuss possible topics. More instructions about the report are found at the end of this syllabus. Weight: 35 percent, distributed across various components

These expectations, due dates, and delivery modes are summarized below. Unless otherwise specified, work is due at 7:00 a.m.

Every Monday, 30 January–26 March: online discussion contribution and in-class participation
One Monday, 30 January–26 March: short paper, e-submission to dropbox
19 March: research proposal and list of references, e-submission to dropbox
16 April: in-class examination
30 April or 7 May: in-class presentation of research report
7 May: research report, e-submission to dropbox and hard copy in class

Schedule

Questions linked to reading materials are designed to foster engagement with the materials. In seminar meetings, we will take them up as needed to summarize materials before beginning discussion. If you are writing a paper for that week, expect to be called on as a novice expert on the topic for that Monday.

January 30: Defining and Measuring Corruption

- Michael Johnston, *Syndromes of Corruption: Wealth, Power, and Democracy* (Cambridge: Cambridge University Press, 2005), 10–13.
- John A. Gardiner, “Defining Corruption,” *Corruption and Reform*, vol. 7, no. 2 (1993): 111–124.
- Transparency International Corruption Perceptions Index and Transparency International Global Corruption Barometer: <http://www.transparency.org/>
- United Nations, Interregional Crime and Justice Research Institute, International Crime Victims Surveys (ICVS): http://www.unicri.it/documentation_centre/publications/icvs/. See, for example, 2000 ICVS item on bribery in industrialized countries and 1996 ICVS item on bribery in developing

¹ Further, students who fail to contribute electronically and in seminar meetings fairly regularly will not be awarded a grade above a B, regardless of the quality of other work. In Chinese: 一票否决!

countries.

Also recommended:

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

Questions. (1) Reconsider an actual case of corruption you or a fellow student described in our first meeting. Why is this an example of corruption? In particular, thinking of the Gardiner reading, what standard are you using to define it as such? (2) Examine several recent measures of corruption available on the web links listed above—for example, the 2010 Corruption Perceptions Index and 2010 Global Corruption Barometer. How is corruption measured? Be prepared to compare measures across at least two sources, evaluating their relative merits. You may also wish to consult background documents on these sites.

February 6: Social, Political, and Economic Effects of Corruption

- Michael Johnston, *Syndromes of Corruption: Wealth, Power, and Democracy* (Cambridge: Cambridge University Press, 2005), 16–35.
- 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.
- Paolo Mauro, “The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis,” in Kimberly Ann Elliott, ed., *Corruption and the Global Economy* (Washington, D.C.: Institute for International Economics, 1997), 83–107.
- Alan Heston and Vijay Kumar, “Institutional Flaws and Corruption Incentives in India,” *Journal of Development Studies*, vol. 44, no. 9 (2008) 1243–1261.

Also recommended:

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

Questions. How does corruption affect growth, according to Mauro? In thinking this through, be sure to you understand the causal mechanism, that is, not simply the effect. Does Wedeman’s study mean Mauro’s conclusion about this relationship is wholly or partially wrong? Why or why not?

February 15, 6:10 p.m: How Corruption May Corrupt

We meet in the La Follette School Conference Room. Pizza arrives at 6:30.

- Philip Oldenburg, “Middlemen in Third-World Corruption: Implications of an Indian Case,” *World Politics*, vol. 39, no. 4 (1987): 508–535.
- Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge: Harvard University Press, 2004), 1–23.
- Ray Fisman and Edward Miguel, “Cultures of Corruption: Evidence from Diplomatic Parking Tickets,” Bureau for Research in Economic Analysis of Development (BREAD) Working Paper No. 122 (May 2006).

Questions. What do the studies in this section suggest about the relationship between a culture of corruption and actual corrupt practices? Be sure to have in mind a definition of the culture of corruption, taking into account the different ways this term may be used.

February 20: Empirical Evidence on Causes of Corruption

- 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.
- Nafisa Halim, “Testing Alternative Theories of Bureaucratic Corruption in Less Developed Countries,” *Social Science Quarterly*, vol. 89, no. 1 (2008): 236–257.

Questions. What do cross-national empirical studies tell us about causes of corruption? Are you satisfied with the answers from this sort of evidence? Why or why not? If not, what sort of evidence would you like to see?

February 27: Corruption Typologies and Anticorruption Reform

- Michael Johnston, *Syndromes of Corruption: Wealth, Power, and Democracy* (Cambridge: Cambridge University Press, 2005), 36–59, 186–220, and at least one of chapters 4, 5, 6, or 7. Choose the chapters that best fit your geographic region of interest.

Questions. Are Johnston’s “syndromes” helpful for diagnosing corruption and prescribing anticorruption solutions? Why or why not? Democracy is not a panacea for corruption, but elite-mass linkages typically found in democracies can be effective mechanisms of corruption control. Agree or disagree, wholly or partially, based on the reading above.

March 5: Electoral Corruption and Election Monitoring

This section was created with the assistance of Natalie Olson, a 2011 MIPA graduate.

- Katya Kalandadze and Mitchell A. Orenstein, “Electoral Protests and Democratization Beyond the Color Revolutions,” *Comparative Political Studies*, vol. 42, no. 11 (2009): 1403–1425.
- Sarah Birch, “Electoral Corruption,” in Todd Landman and Neil Robinson, eds., *Sage Handbook of Comparative Politics* (London: Sage, 2009), 395–409.
- Judith Kelley, “The More the Merrier? The Effects of Having Multiple International Election Monitoring Organizations,” *Perspectives on Politics*, vol. 7, no. 1 (2009): 59–64.
- John G. Peters and Susan Welch, “The Effects of Charges of Corruption on Voting Behavior in Congressional Elections,” *American Political Science Review*, vol. 74, no. 4 (1980): 697–708.

March 12: The International Business of Corruption

- Transparency International 2008 Bribe Payers Index: <http://www.transparency.org/>
- Jon Moran, “Bribery and Corruption: The OECD Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions,” *Business Ethics: A European Review*, vol. 87, no. 3 (1999): 141–150.
- 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.
- Anna D’Souza, “The OECD Anti-Bribery Convention: Changing the Currents of Trade,” unpublished manuscript, University of California–Los Angeles, March 2009.

Questions. Should we be optimistic about the prospects for less corruption in the wake of international

anticorruption conventions of the 1990s? Why or why not?

March 19: Corruption and Foreign Aid

- Claudia R. Williamson, “Exploring the Failure of Foreign Aid: The Role of Incentives and Information,” *Review of Austrian Economics*, online (11 July 2009).
- Doug Johnson and Tristan Zajonc, “Can Foreign Aid Create an Incentive for Good Governance? Evidence from the Millennium Challenge Corporation,” (2006): <http://ssrn.com/abstract=896293>

Questions. Given what we know about the relationship between aid and good governance, should we be optimistic about the prospects for less corruption with recent World Bank reform and instrumental aid policy? Why or why not?

March 26: 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.
- Alasdair Roberts, *Blacked Out: Government Secrecy in the Information Age* (Cambridge: Cambridge University Press, 2006), 107–123.

Questions. In theory, how might a Freedom of Information law and a free press be “bad news” for corruption? Are you persuaded, wholly or partially, of this relationship by the empirical evidence? Why or why not?

Spring Recess: March 31–April 8

April 9: Anticorruption Agencies

- Michael Johnston, “A Brief History of Anticorruption Agencies,” in Andreas Schedler, Larry Diamond, and Marc F. Plattner, eds., *The Self-Restraining State: Power and Accountability in New Democracies* (Boulder, Colo.: Lynne Rienner, 1999), 217–226.
- Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge, Mass.: Harvard University Press, 2004), 27–83.
- Patrick Meagher, “Anti-Corruption Agencies: Rhetoric versus Reality,” *Journal of Policy Reform*, vol. 8, no. 1 (2005): 69–103.

Questions. The Hong Kong ICAC is an example of a successful anticorruption agency. What features, if any, of its experience are generalizable to other contexts? What contextual features, which may or may not be replicated in other countries, facilitated its success?

April 16: In-class Examination

April 23: Anna Hazare and the Indian Anticorruption Movement

Presentation by PA 860 Workshop Group members, suggested readings added later.

April 30, May 7: Presentations of Reports

Research Report

The research report accounts for 35 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, evaluate an anticorruption reform, or attempt an original statistical study. I will happily accommodate reasonable alternative suggestions, based on your interests and experience.

On the course website at Learn@UW you will find a document “Electronic Resources on Corruption and Anticorruption Reform,” which you may wish to consult as a point of departure for your paper. Another document on the course website that you may find useful is a World Bank “Literature Survey on Corruption, 2000–2005.” You should also consult scholarly sources through the standard electronic databases (e.g., Academic Search, JSTOR, EconLit) as well as NBER working papers. Do not even think you can research this through GOOGLE (or at least only through GOOGLE)!

Due dates and weights for component parts of the research report

19 March: 300-word 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

23 or 30 April or 7 May: presentation of research report, 5 percent

7 May: 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 roughly 6,000 words in length, i.e., about 10 pages single-spaced. 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. Substantively excellent papers with significant problems of style will not be awarded a grade in the A range, however.

For basic formatting guidelines for this report, see **Report Formatting Guidelines** on the Learn@UW course website. In addition, you must 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/>.