

Political Economy of Corruption and Development  
PLSC 44612  
University of Chicago  
Spring 2014

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Course Time: Tuesday 9-11:50 am  
Office Hours: Thursday 2-3 pm or by appt.  
Course website: chalk.uchicago.edu

## Overview

This course is a research and discussion seminar aimed at doctoral students, covering recent theoretical and empirical research, organized around the following questions. First, what are the consequences of corruption for socioeconomic development? Second, what are the causes of corruption, and specifically what do we know about the status of political and economic institutions, regime type, bureaucracy, resource endowments, and culture as possible drivers of corruption? Third, why might the extent and kind of corruption vary over time within a country or state? On the empirical side, we will consider issues of measurement and inference: what can we reliably conclude on the basis of the evidence concerning possible answers to these questions?

## Mechanics of the Course

*Preparation and Participation:* The course is conceived as a research and discussion seminar. Students are expected to have read the assigned material and thought about it critically before each class meeting, considering both the particulars of each reading (e.g., its research strategy and findings) as well as its fit within the bigger picture. In-class participation is essential, I will not lecture.

### *Assignments:*

- (1) In-class presentation of a published article (dates to be assigned by the professor)
- (2) Research proposal (for due date see below)
- (3) Scientific poster of research proposal (for due date see below)

The in-class presentation should constitute an in-depth analysis of the assigned article or chapter. The main goal of the presentation is to provide an opportunity for thinking critically about the article or chapter, from a research perspective. Accordingly, the presentation may touch upon the following questions:

- What is the significance and contribution of the article to the literature?
- When applicable: What are the causal claims of the article? What is the logic of the empirical analysis? (i.e., what is/are the outcome variable(s), what is/are the treatment variable(s), how does the article go about establishing a link between these?)
- What are the strengths and weaknesses of the article's claims, theories, and/or evidence?
- What aspects of the question at hand does the article answer well, or fail to answer?
- What is satisfying or unsatisfying, persuasive or unpersuasive, about the article, and more generally about the week's readings?

In other words, your presentation should assess the article or chapter both as a self-contained piece of research, as well as in the context of the literature, the class topic, and the other assigned readings. A brief summary of the article can be part of the presentation. Please bring printed handouts for everyone in the class to follow along. Handouts should be about 2 pages in length.

You will have 10 minutes to present in class. Please test out your presentation to make sure that you can deliver it in the allotted time: I will keep time strictly to ensure that everyone has enough time to present and there is time for Q&A from your peers. I will assign the articles and dates of presentation at random after the first class meeting. The first presentation will take place on the second class meeting.

The research proposal must outline a laboratory or field experiment devised by you, designed to answer one of several research questions about corruption that I will bring up in class. We will study different examples of experimental research on corruption in the course, and you can draw from these in designing your own. You will be asked to turn in a written document (5 pages, excluding figures, tables, and references, but including footnotes; double spaced, standard margins, 12pt font). Importantly, you *do not* need to implement the experimental design that you propose. I will provide more detailed guidelines for this assignment later in the course. The research proposal is **due on Wednesday, June 4 at 11:59pm** (to be turned in as a PDF file via the Chalk website).

A paragraph outlining your research proposal is due no later than **Tuesday, May 13 at the beginning of class** (to be turned in as a PDF file via the Chalk website). I encourage you, however, to turn in your paragraph as early in the course as possible, to have the opportunity to receive feedback on it.

You will additionally create a scientific poster describing your research proposal, to be presented in class during the last class session. We will hold a poster session in class on **Tuesday, June 3**. For this session, you must bring a **printed** copy of your poster (I will provide further guidelines later on). In addition, you must turn in an electronic copy of your poster in PDF format via Chalk.

*Grading:* Course grades will be computed using the following weights: class participation 20%; in-class presentation of journal article 25%; research proposal 40%; poster and poster presentation 15%. Turning in the paragraph outlining your research proposal by its dues date will garner 5% extra credit. **If you need to have your final grade by a particular date (e.g., due to graduation), please let me know on the first day of class to plan accordingly.**

*Policies:* No extensions will be given for the assignments. If you miss your in-class presentation or the poster session due to a last-minute emergency, your grade will be recalculated on the basis of the remaining items.

*Readings:* All assigned articles are freely available online when logged on from campus. You may locate them via Google Scholar. Book chapters will be available in scanned form on electronic reserve accessible via the course's Chalk website, or as ebooks accessible via the Library website.

Syllabus

*Subject to change: please check course website weekly for updates*  
(all readings are required)

1. Effects of corruption on development (April 1)

Sen, Amartya. 1988. "The concept of development," Ch.1 in Chenery and Srinivasan, eds., *Handbook of Development Economics*, Elsevier, pp.10-23

Leff, Nathaniel. 1964. "Economic development through bureaucratic corruption," *American Behavioral Scientist*.

Mauro, Paulo. 1997. "The effects of corruption on growth, investment, and government expenditure," in Elliot, Kimberly Ann, ed., *Corruption and the Global Economy*, Institute for International Economics

Shleifer, Andrei and Robert Vishny. 1993. "Corruption," *Quarterly Journal of Economics*

2. Causes of corruption: cross-national observational evidence (April 8)

Treisman, Daniel. 2000. "The causes of corruption: a cross-national study," *Journal of Public Economics*.

Olken, Benjamin. 2005. "Corruption perceptions vs. corruption reality," mimeo, *NBER*.

Knack, Stephen. 2007. "Measuring corruption: a critique of indicators in Eastern Europe and Central Asia," *Journal of Public Policy*.

Treisman, Daniel. 2007. "What have we learned about the causes of corruption from ten years of cross-national empirical research?" *Annual Review of Political Science*.

3. Causes of corruption: basic economic model; field experiments (April 15)

Aidt, Toke. 2003. "Economic Analysis of Corruption: A Survey," *The Economic Journal*.

Olken, Benjamin. 2007. "Monitoring corruption: evidence from a field experiment in Indonesia," *Journal of Political Economy*.

Bertrand, Marianne, Simeon Djankov, Rema Hanna, and Sendil Mullainathan. 2007. "Obtaining a driver's license in India: an experimental approach to studying corruption," *Quarterly Journal of Economics*.

Rodrik, Danny. 2009. "The new development economics: we shall experiment, but what shall we learn?" in Cohen and Easterly, *What Works in Development?*

Mullainathan, Sendil, and Martin Ravallion. Comments on Rodrik 2009, in Cohen and Easterly, *ibid*.

## 4. Causes of corruption: laboratory experiments (April 22)

- Abbink, Klaus, Bernd Irlensbusch, and Elke Renner. 2002. "An experimental bribery game," *Journal of Law, Economics, and Organization*.
- Alatas, Vivi, Lisa Cameron, Ananish Chaudhuri, Nisvan Erkal, and Lata Gangadharan. 2009. "Subject pool effects in a corruption experiment: A comparison of Indonesian public servants and Indonesian students," *Experimental Economics* 12(1).
- Schulze, Gunther, and Bjorn Frank. 2003. "Deterrence versus intrinsic motivation: experimental evidence on the determinants of corruptibility," *Economics of Governance*.
- Levitt, Steven and John List. 2007. "What do laboratory experiments measuring social preferences reveal about the real world?" *Journal of Economic Perspectives*

## 5. Culture and corruption (April 29)

- Banfield, Edward. 1958. *The moral basis of a backward society*, Free Press. (Introduction, chapter 5, and chapter 6). [Available on Chalk under Library Course Reserves]
- Fisman, Ray and Ted Miguel. 2007. "Corruption, norms, and legal enforcement: evidence from diplomatic parking tickets," *Journal of Political Economy*.
- Andvig, Jens Chr. and Karl Ove Moene. 1990. "How corruption may corrupt," *Journal of Economic Behavior and Organization*.
- Gino, Francesca, Ayal Shahar, and Dan Ariely. 2009. "Contagion and differentiation in unethical behavior: the effect of one bad apple on the barrel," *Psychological Science*
- Mazar, Nina, and Pankaj Agarwal. 2011. "Greasing the palm: can collectivism promote bribery?" *Psychological Science*

## 6. Bureaucratic corruption (May 6)

- Rauch, James E. and Peter Evans. 2000. "Bureaucratic structure and bureaucratic performance in less-developed countries," *Journal of Public Economics*.
- Di Tella, Rafael, and Ernesto Schargrotsky. 2001. "The role of wages and auditing during a crackdown on corruption in the City of Buenos Aires," mimeo, *NBER*.
- Van Rijckeghem, Caroline and Beatrice Wedder. 2001. "Bureaucratic corruption and the rate of temptation: do wages in the civil service affect corruption, and by how much?" *Journal of Development Economics*.
- Re-read (to discuss further): Aidt, 2003; Shleifer and Vishny, 1993.

7. Grand corruption: elections and accountability; the corruption of elections (May 13)

- Claudio Ferraz and Federico Finan. 2005. "Reelection incentives and political corruption: evidence from municipal audits in Brazil," mimeo.
- Chong, Alberto, Ana L. de la O, Dean Karlan, and Leonard Wantchekon. 2011. "Looking beyond the incumbent: the effects of exposing corruption on electoral outcomes," mimeo.
- Nyblade, Benjamin and Steven Reed. 2008. "Who cheats? Who loots? Political competition and corruption in Japan, 1947-1993," *American Journal of Political Science*.
- Simpser, Alberto. 2013. *Why Governments and Parties Manipulate Elections: Theory, Practice, and Implications*, Chapters 1-5.

8. Over-time variation in corruption; reform

**\* NOTE: This class session will take place on Monday, May 19, 9am-11:50am (we will not meet on Tuesday, May 20)**

- Menes, Rebecca. 2006. "Limiting the reach of the grabbing hand: graft and growth in American cities, 1880 to 1930," in Edward Glaeser and Claudia Goldin, eds. *Corruption and Reform: Lessons from America's Economic History*, NBER and University of Chicago Press.
- Manion, Melanie. 1994. "Lessons for mainland China from anti-corruption reform in Hong-Kong," *The China Review*.
- Banerjee et al. 2012. "Can institutions be reformed from within? Evidence from a randomized experiment with the Rajasthan police," mimeo. [Link: <http://bit.ly/1gyV3E9>]
- Klitgaard, Robert. 1988. *Controlling Corruption*, Chapter 3. [Available on Chalk under Library Course Reserves; full book also available as ebook on library website]

9. Tentative topic: Political institutions and grand corruption (May 27)

- Kunicova, Jana. 2006. "Democratic institutions and corruption: incentives and constraints in politics," in Rose-Ackerman, ed. *International Handbook on the Economics of Corruption*, Edward Elgar. [Available on Chalk under Library Course Reserves; full book also available as ebook on library website]
- Gingerich, Daniel. 2010. "Bolivia: traditional parties, the state, and the toll of corruption," in Stephen Morris and Charles Blake, *Corruption and Politics in Latin America*, Lynne Rienner. [Available on Chalk under Library Course Reserves]
- Chang, Eric and Miriam Golden. 2004. "Electoral systems, district magnitude, and corruption," mimeo, University of California Los Angeles.
- Alt, James and David Dreyer Lassen. 2003. "The political economy of institutions and corruption," *Journal of Theoretical Politics*.

10. In-class scientific poster session (June 3)