

Gov 94VR Corruption in Latin America
Harvard University
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Sessions: Mondays 12:45 pm - 14:45 pm

Office Hours: By appointment

Room: CGIS South S450 (FAS)

Course description

The standard image of corruption entails wealthy elites in poor countries easily breaking weak laws to increase their wealth. Yet Latin America, according to empirical evidence, defies that common trend because it is the only region in the world in which corruption tends to reduce income inequality rather than increase it. This seminar explores the many unusual paradoxes of corruption in Latin America and its effect on economic and social variables. Our goal is to understand the peculiar and enigmatic dance that exists between corruption and politics, a topic that is poorly understood and commonly distorted by ideological rhetoric. We will identify the different forms of corruption that exist, the sweeping anti-corruption efforts that are gaining steam in the region, and the often-questionable political motives behind them. We will examine the conditions under which corruption stifles economic growth, efficiency, and investment; but also, the environments in which corruption effectively substitutes for inadequate or missing laws to grease the wheels for investment. Overall, we aim to show a precise picture of when and how corruption thrives, and how to properly combat it.

Course materials

You will read 4-5 papers per week, for a total of 120 pages. When I say read, I mean reading strategically, not linearly. Your job is to *mine* the text you are reading for information. Instead of cruising along with the narrative you need to dive in, find the information you need, and move along to the next stack of readings for class¹.

All required materials will be uploaded to our website and will remain there for the entire course. The only **books** that I recommend you buy are (optional):

– Morris, S. D., & Blake, C. H. (Eds.). (2010). *Corruption and politics in Latin America: National and regional dynamics*. Lynne Rienner Publishers.

– Power, T. J., & Taylor, M. M. (2011). *Corruption and democracy in Brazil*. Notre Dame, PI.

To succeed in this course, you must read the required readings before class. In each class, I will generally tell you a bit about how to prepare for the next class.

Requirements & grading

– Participation (20%): Students are expected to complete all assigned readings prior to class, actively engage in discussions, and link assigned materials to relevant debates in the media and politics. Readings marked as “additional readings” are not required.

– Midterm exam (40%): Response paper (1000 words), due on March 15th.

– Final paper (40%): Research can be delivered as a written paper (5000 - 7500 words), podcast (10 minutes), or video (10 minutes) due on May 8th. The project can be authored individually or co-authored with another student. If the project is a co-authored paper, it should be longer, and the quality of podcast/video is expected to be significantly higher. Quantitative research such as coding quantitative measures or developing original statistical analysis (R, Stata, or Python) can also be delivered as final projects if visualizations of the data and replicable code are provided. You will be required to hand in the following sections (in advance, on the dates indicated) as progress reports throughout the course:

– February 25 :Abstract

– March 11: Sources and/or primary data

– April 15: Preliminary results

¹Extract from Sweeney 2012, available here: <https://miriamsweeney.net/2012/06/20/readforgradschool/>

Late Policy

Barring an extraordinary excuse, late papers will be marked down one-third of a grade (e.g., A to A-minus) per day.

Colaboration in Written Work

Discussion and the exchange of ideas are essential to academic work. For assignments in this course, you are encouraged to consult with your classmates on the choice of paper topics and to share sources. You may find it useful to discuss your chosen topic with your peers, particularly if you are working on the same topic as a classmate. However, you should ensure that any written work you submit for evaluation is the result of your own research and writing and that it reflects your own approach to the topic. You must also adhere to standard citation practices in this discipline and properly cite any books, articles, websites, lectures, etc. that have helped you with your work. If you received any help with your writing (feedback on drafts, etc), you must also acknowledge this assistance.

Harvard Honor Code

Members of the Harvard College community commit themselves to producing academic work of integrity – that is, work that adheres to the scholarly and intellectual standards of accurate attribution of sources, appropriate collection and use of data, and transparent acknowledgement of the contribution of others to their ideas, discoveries, interpretations, and conclusions. Cheating on exams or problem sets, plagiarizing or misrepresenting the ideas or language of someone else as one's own, falsifying data, or any other instance of academic dishonesty violates the standards of our community, as well as the standards of the wider world of learning and affairs.

Required readings

Introduction (*January 28*)

Corruption (*February 4*)

- Fukuyama, F. (2013). What is governance? *Governance*, 26(3), 347-368.
- Olken, B. A., & Pande, R. (2012). Corruption in developing countries. *Annual Review of Economics*, 4(1), 479-509.
- Morris, S. D., & Blake, C. H. (2010). Corruption & politics in Latin America. In *Corruption & politics in Latin America: national and regional dynamics*. Morris, S. D., & Blake, C. H. (Eds.). Lynne Rienner Publishers. 1-5,13-24
- Uslaner, E. M., & Rothstein, B. (2016). The historical roots of corruption: State building, economic inequality, and mass education. *Comparative Politics*, 48(2), 227-248.

Types of corruption (*February 11*)

- Ruhl, J. M. (2011). Political corruption in Central America: Assessment and explanation. *Latin American Politics and Society*, 53(1), 33-58.
- Johnston, M. (2005). *Syndromes of corruption: Wealth, power, and democracy*. Cambridge University Press, 36-59.
- Hummel, C. (2018). Bribery cartels: Collusive corruption in Bolivian street markets. *Latin American Research Review*, 53(2), 217-230.
- Langbein, L., & Sanabria, P. (2013). The shape of corruption: Colombia as a case study. *Journal of Development Studies*, 49(11), 1500-1513.
- Gates, L.C. (2010). Corruption in a petrostate. In *Corruption & politics in Latin America: national and regional dynamics*. Morris, S. D., & Blake, C. H. (Eds.). Lynne Rienner Publishers.

Clientelism (*February 25*)

(Final paper deadline: Deliver an abstract that describes your final paper)

- Weitz-Shapiro, R. (2012). What wins votes: Why some politicians opt out of clientelism. *American Journal of Political Science*, 56(3), 568-583.
- Mares, I., & Young, L. (2016). Buying, expropriating, and stealing votes. *Annual Review of Political Science*, 19, 267-288.
- Levitsky, S. (2007). From populism to clientelism? In *Patrons, clients and policies: Patterns of democratic accountability and political competition*. Kitschelt, H., & Wilkinson, S. I. (Eds.). Cambridge University Press.
- Gingerich D.W. (2010). Traditional parties, the state, and the toll of corruption. In *Corruption & politics in Latin America: national and regional dynamics*. Morris, S. D., & Blake, C. H. (Eds.). Lynne Rienner Publishers.

Influence (*March 4*)

- Holland, A. C. (2016). Forbearance. *American Political Science Review*, 110(2), 232-246.
- Fried, B. J., Lagunes, P., & Venkataramani, A. (2010). Corruption and inequality at the crossroad: A multimethod study of bribery and discrimination in Latin America. *Latin American Research Review*, 76-97.
- Lehne, J., Shapiro, J. N., & Eynde, O. V. (2018). Building connections: Political corruption and road construction in India. *Journal of Development Economics*, 131, 62-78.
- Gilens, M. (2012). *Affluence and influence: Economic inequality and political power in America*. Princeton University Press. Ch8, 234-252.
- Robinson, A. L., & Seim, B. (2018). Who is targeted in corruption? Disentangling the effects of wealth and power on exposure to bribery. *Quarterly Journal of Political Science*, 13(3), 313-331.

(Response paper due on March 15th, 2019. Papers delivered late won't be accepted.)

Electoral corruption & democratization *(March 25)*

- Kotera, G., Okada, K., & Samreth, S. (2012). Government size, democracy, and corruption: An empirical investigation. *Economic Modelling*, 29(6), 2340-2348.
- Klasnja, M., Little, A. T., & Tucker, J. A. (2016). Political corruption traps. *Political Science Research and Methods*, 1-16.
- Jetter, M., Agudelo, A. M., & Hassan, A. R. (2015). The effect of democracy on corruption: Income is key. *World Development*, 74, 286-304.
- Morris, S.D. (2010). Corruption and change. In *Corruption & politics in Latin America: National and regional dynamics*. Morris, S. D., & Blake, C. H. (Eds.). Lynne Rienner Publishers.
- Larreguy, H., Montiel Olea, C. E., & Querubin, P. (2017). Political brokers: Partisans or agents? Evidence from the Mexican teachers' union. *American Journal of Political Science*, 61(4), 877-891.

Economic effects *(April 1)*

- Bologna, J., & Ross, A. (2015). Corruption and entrepreneurship: Evidence from Brazilian municipalities. *Public Choice*, 165(1-2), 59-77.
- Dobson, S., & Ramlogan-Dobson, C. (2012). Why is corruption less harmful to income inequality in Latin America? *World Development*, 40(8), 1534-1545.
- Pedauga, L. E., Pedauga, L. D., & Delgado-Miarquez, B. L. (2017). Relationships between corruption, political orientation, and income inequality: Evidence from Latin America. *Applied Economics*, 49(17), 1689-1705.
- Wong, M. Y. (2017). Public spending, corruption, and income inequality: A comparative analysis of Asia and Latin America. *International Political Science Review*, 38(3), 298-315.

Collective action *(April 8)*

- Meirowitz, A., & Tucker, J. A. (2013). People power or a one-shot deal? A dynamic model of protest. *American Journal of Political Science*, 57(2), 478-490.
- Svolik, M. (2013). Learning to love democracy: Electoral accountability, government performance, and the consolidation of democracy. *American Journal of Political Science*, 57(3), 685-702.
- Gingerich, D. W. (2009). Corruption and political decay: Evidence from Bolivia. *Quarterly Journal of Political Science*, 4(1), 1-34.

Accountability *(April 15)*

(Final paper deadline: Preliminary results are due)

- De Vries, C. E., & Solaz, H. (2017). The electoral consequences of corruption. *Annual Review of Political Science*, 20, 391-408.
- Pereira, C., & Melo, M. A. (2015). Reelecting corrupt incumbents in exchange for public goods: Rouba mas faz in Brazil. *Latin American Research Review*, 50(4), 88-115.
- Manzetti, L. (2014). Accountability and corruption in Argentina during the Kirchners' Era. *Latin American Research Review*, 173-195.
- Chong, A., De La O, A. L., Karlan, D., & Wantchekon, L. (2014). Does corruption information inspire the fight or quash the hope? A field experiment in Mexico on voter turnout, choice, and party identification. *The Journal of Politics*, 77(1), 55-71.

Media & transparency *(April 22)*

- Malesky, E., Schuler, P., & Tran, A. (2012). The adverse effects of sunshine: A field experiment on legislative transparency in an authoritarian assembly. *American Political Science Review*, 106(4), 762-786.
- Vadlamannati, K. C., & Cooray, A. (2017). Transparency pays? Evaluating the effects of the freedom

of information laws on perceived government corruption. *The Journal of Development Studies*, 53(1), 116-137.

– Camaj, L. (2013). The media's role in fighting corruption: Media effects on governmental accountability. *The International Journal of Press/Politics*, 18(1), 21-42.

– Balan, M. (2011). Competition by denunciation: The political dynamics of corruption scandals in Argentina and Chile. *Comparative Politics*, 43(4), 459-478.

– McMillan, J., & Zoido, P. (2004). How to subvert democracy: Montesinos in Peru. *Journal of Economic Perspectives*, 18(4), 69-92.

Bureaucratic reform (*April 29*)

– Gorodnichenko, Y., & Peter, K. S. (2007). Public sector pay and corruption: Measuring bribery from micro data. *Journal of Public Economics*, 91(5-6), 963-991.

– Charron, N., Dahlström, C., Fazekas, M., & Lapuente, V. (2017). Careers, Connections, and Corruption Risks: Investigating the impact of bureaucratic meritocracy on public procurement processes. *The Journal of Politics*, 79(1), 89-104.

– Dixit, A. (2018). Anti-corruption institutions: Some history and theory. In *Institutions, Governance and the Control of Corruption*. Basu, K., & Cordella, T. (Eds.). Springer International Publishing. 15-49.

– Ríos, V. & Kaiser, M. (2018). Mexico's anti-corruption spring. In *The Missing Reform: Strengthening Rule of Law in Mexico*. Ríos, V. & Wood, D. (Eds.). Washington, DC: Woodrow Wilson Center Press. 25-35.

– Gans-Morse, J., Borges, M., Makarin, A., Mannah-Blankson, T., Nickow, A., Zhang, D. (2018). Reducing bureaucratic corruption: Interdisciplinary perspectives on what works. *World Development*, 105, 171-188. (***Final paper due on May 8th, 2019***)

Additional readings

You do not have to read these. This list will be helpful in case you want to know more about a specific topic.

Corruption (*February 4*)

- Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American Economic Review*, 91(5), 1369-1401.
- Banerjee, A. V. (1997). A theory of misgovernance. *The Quarterly Journal of Economics*, 112(4), 1289-1332.
- Rothstein, B., & Torsello, D. (2014). Bribery in preindustrial societies: Understanding the universalism-particularism puzzle. *Journal of Anthropological Research*, 70(2), 263-284.
- Svensson, J. (2005). Eight questions about corruption. *Journal of Economic Perspectives*, 19(3), 19-42.
- Treisman, D. (2014). What does cross-national empirical research reveal about the causes of corruption? In *Routledge handbook of political corruption*, 109-123. Routledge.

Types of corruption (*February 11*)

- Power, T. J., & Taylor, M. M. (2011). Corruption and democracy in Brazil. Notre Dame, PI. Ch1. Introduction.

Clientelism (*February 25*)

- Bleyntat, I. (2018). The Business of Governing: Corruption and Informal Politics in Mexico City's Markets, 1946–1958. *Journal of Latin American Studies*, 50(2), 355-381.
- Magaloni, B., Diaz-Cayeros, A., & Estievez, F. (2007). Clientelism and portfolio diversification: a model of electoral investment with applications to Mexico. In *Patrons, clients and policies: Patterns of democratic accountability and political competition*. Kitschelt, H., & Wilkinson, S. I. (Eds.). Cambridge University Press.
- Blake, C.H. & Kohen, S.L. (2010). The dawn of a new era or business as usual? In *Corruption & politics in Latin America: National and regional dynamics*. Morris, S. D., & Blake, C. H. (Eds.). Lynne Rienner Publishers.
- Swzarcberg, M. (2013). The microfoundations of political clientelism: Lessons from the Argentine case. *Latin American Research Review*, 32-54.
- Scott, J. C. (1969). Corruption, machine politics, and political change. *American Political Science Review*, 63(4), 1142-1158.
- Stokes, S. C. (2005). Perverse accountability: A formal model of machine politics with evidence from Argentina. *American Political Science Review*, 99(3), 315-325.
- Nichter, S. (2008). Vote buying or turnout buying? Machine politics and the secret ballot. *American Political Science Review*, 102(1), 19-31.
- Finan, F., & Schechter, L. (2012). Vote-buying and reciprocity. *Econometrica*, 80(2), 863-881.
- Oliveros, V. (2016). Making it personal: Clientelism, favors, and the personalization of public administration in Argentina. *Comparative Politics*, 48(3), 373-391.

Influence (*March 4*)

- Peiffer, C., & Rose, R. (2018). Why are the poor more vulnerable to bribery in Africa? The institutional effects of services. *The Journal of Development Studies*, 54(1), 18-29.
- Justesen, M. K., & Bjørnskov, C. (2014). Exploiting the poor: Bureaucratic corruption and poverty in Africa. *World Development*, 58, 106-115.
- Fisman, R. (2001). Estimating the value of political connections. *American Economic Review*, 91(4), 1095-1102.
- Ziobrowski, A. J., Cheng, P., Boyd, J. W., & Ziobrowski, B. J. (2004). Abnormal returns from the common stock investments of the US Senate. *Journal of Financial and Quantitative Analysis*, 39(4), 661-676.
- Bologna, J., & Ross, A. (2015). Corruption and entrepreneurship: Evidence from Brazilian municipali-

ties. *Public Choice*, 165(1-2), 59-77.

Electoral corruption & democratization (*March 25*)

- Rose-Ackerman, S. (2002). Political corruption and democratic structures. In *The political economy of corruption*. Jain, A. K. (Ed.). Routledge.
- Cantiu, F. (2014). Identifying irregularities in Mexican local elections. *American Journal of Political Science*, 58(4), 936-951.
- McMillan, J., & Zoido, P. (2004). How to subvert democracy: Montesinos in Peru. *Journal of Economic Perspectives*, 18(4), 69-92.
- Ziblatt, D. (2009). Shaping democratic practice and the causes of electoral fraud: The case of nineteenth-century Germany. *American Political Science Review*, 103(1), 1-21.
- Gingerich, D. W., & Medina, L. F. (2013). The endurance and eclipse of the controlled vote: A formal model of vote brokerage under the secret ballot. *Economics & Politics*, 25(3), 453-480.

Economic effects (*April 1*)

- De Vaal, A., & Ebben, W. (2011). Institutions and the relation between corruption and economic growth? *Review of Development Economics*, 15(1), 108-123.
- Ahmad, E., Ullah, M. A., & Arfeen, M. I. (2012). Does corruption affect economic growth? *Latin American Journal of Economics*, 49(2), 277-305.
- Rothstein, B. (2015). The Chinese paradox of high growth and low quality of government: The cadre organization meets Max Weber. *Governance*, 28(4), 533-548.
- Drury, A. C., Kriekhaus, J., & Lusztig, M. (2006). Corruption, democracy, and economic growth. *International Political Science Review*, 27(2), 121-136.
- Mieon, P. G., & Weill, L. (2010). Is corruption an efficient grease? *World development*, 38(3), 244-259.
- Dutt, P., & Traca, D. (2010). Corruption and bilateral trade flows: Extortion or evasion? *The Review of Economics and Statistics*, 92(4), 843-860.
- Mandal, B., & Marjit, S. (2010). Corruption and wage inequality? *International Review of Economics & Finance*, 19(1), 166-172.
- Rothstein, B. (2011). *The quality of government: Corruption, social trust, and inequality in international perspective*. University of Chicago Press.
- d'Agostino, G., Dunne, J. P., & Pironi, L. (2016). Government spending, corruption and economic growth. *World Development*, 84, 190-205.

Collective action (*April 8*)

- Pierez-Liñan, A. (2007). *Presidential impeachment and the new political instability in Latin America*. Cambridge University Press.
- Mungiu-Pippidi, A. (2013). Controlling corruption through collective action. *Journal of Democracy*, 24(1), 101-115.
- Gehlbach, S., Sonin, K., & Svobik, M. W. (2016). Formal models of nondemocratic politics. *Annual Review of Political Science*, 19, 565-584.
- Little, A. T., Tucker, J. A., & LaGatta, T. (2015). Elections, protest, and alternation of power. *The Journal of Politics*, 77(4), 1142-1156.

Accountability (*April 15*)

- Power, T. J., & Taylor, M. M. (2011). Corruption and democracy in Brazil. Notre Dame, PI. Ch 3 & 4.
- Praça, S., & Taylor, M. M. (2014). Inching toward accountability: The evolution of Brazil's anticorruption institutions, 1985–2010. *Latin American Politics and Society*, 56(2), 27-48.
- Jucia, I. C., Melo, M. A., & Renno, L. (2016). The political cost of corruption: Scandals, campaign finance, and reelection in the Brazilian chamber of deputies. *Journal of Politics in Latin America*, 8(2), 3-36.

Media & transparency (April 22)

- Power, T. J., & Taylor, M. M. (2011). Corruption and democracy in Brazil. Notre Dame, PI. Ch 5.
- Yarrington, D. (2018). Public opinion and modernity in Venezuela's anti-Corruption trials, 1945–8. *Journal of Latin American Studies*, 1-29.
- Ferraz, C., & Finan, F. (2008). Exposing corrupt politicians: The effects of Brazil's publicly released audits on electoral outcomes. *The Quarterly Journal of Economics*, 123(2), 703-745.
- Hughes, S., & Lawson, C. (2004). Propaganda and crony capitalism: Partisan bias in Mexican television news. *Latin American Research Review*, 81-105.
- Kolstad, I., & Wiig, A. (2009). Is transparency the key to reducing corruption in resource-rich countries? *World development*, 37(3), 521-532.
- Stanig, P. (2015). Regulation of speech and media coverage of corruption: An empirical analysis of the Mexican press. *American Journal of Political Science*, 59(1), 175-193.
- Botero, S., Cornejo, R. C., Gamboa, L., Pavao, N., & Nickerson, D. W. (2015). Says who? An experiment on allegations of corruption and credibility of sources. *Political Research Quarterly*, 68(3), 493-504
- Michener, G., & Pereira, C. (2016). A great leap forward for democracy and the rule of law? Brazil's Mensalao trial. *Journal of Latin American Studies*, 48(3), 477-507.
- Berliner, D., & Erlich, A. (2015). Competing for transparency: Political competition and institutional reform in Mexican states. *American Political Science Review*, 109(1), 110-128.

Bureaucratic reform (April 29)

- Bjørnskov, C. (2011). Combating corruption: On the interplay between institutional quality and social trust. *The Journal of Law and Economics*, 54(1), 135-159.
- Van Rijckeghem, C., & Weder, B. (2001). Bureaucratic corruption and the rate of temptation: Do wages in the civil service affect corruption, and by how much? *Journal of Development Economics*, 65(2), 307-331.
- Di Tella, R., & Schargrodsky, E. (2003). The role of wages and auditing during a crackdown on corruption in the city of Buenos Aires. *The Journal of Law and Economics*, 46(1), 269-292.
- Manion, M. (2004). Lessons for mainland China from anti-corruption reform in Hong Kong. *China Review*, 81-97.
- Rothstein, B. (2011). Anti-corruption: The indirect big-bang approach. *Review of International Political Economy*, 18(2), 228-250.
- Bolongaita, E. P. (2010). An exception to the rule? Why Indonesia's Anti-Corruption Commission succeeds where others don't. A comparison with the Philippines. *Ombudsman*. U4 Issue.
- Belloni, R., & Strazzari, F. (2014). Corruption in post-conflict Bosnia-Herzegovina and Kosovo: a deal among friends. *Third World Quarterly*, 35(5), 855-871.
- Grindle, M. S. (2012). *Jobs for the Boys*. Harvard University Press.
- Duvanova, D. (2014). Economic regulations, red tape, and bureaucratic corruption in post-communist economies. *World Development*, 59, 298-312.

Audits

- Zamboni, Y., & Litschig, S. (2018). Audit risk and rent extraction: Evidence from a randomized evaluation in Brazil. *Journal of Development Economics*, 134, 133-149.
- Avis, E., Ferraz, C., & Finan, F. (2018). Do government audits reduce corruption? Estimating the impacts of exposing corrupt politicians. *Journal of Political Economy*, 126(5), 1912-1958
- Bobonis, G. J., Ciamara Fuertes, L. R., & Schwabe, R. (2016). Monitoring corruptible politicians. *American Economic Review*, 106(8), 2371-2405.
- Ferraz, C., Finan, F., & Moreira, D. B. (2012). Corrupting learning: Evidence from missing federal education funds in Brazil. *Journal of Public Economics*, 96(9-10), 712-726.
- Gerardino, M. P., Litschig, S., & Pomeranz, D. (2014). Monitoring public procurement: Evidence from a regression discontinuity design in Chile. *Working Paper*.
- Olken, B. A. (2007). Monitoring corruption: Evidence from a field experiment in Indonesia. *Journal of*

Political Economy, 115(2), 200-249.

- Di Tella, R., & Schargrodsky, E. (2003). The role of wages and auditing during a crackdown on corruption in the city of Buenos Aires. *The Journal of Law and Economics*, 46(1), 269-292.
- Blume, L., & Voigt, S. (2011). Does organizational design of supreme audit institutions matter? A cross-country assessment. *European Journal of Political Economy*, 27(2), 215-229.
- Schelker, M. (2012). The influence of auditor term length and term limits on US state general obligation bond ratings. *Public Choice*, 150(1-2), 27-49.
- Lewis, M. (2006). Governance and corruption in public health care systems. *Center for Global Development Working Paper No. 78*.